tiso blackstar group.

Tiso Blackstar Group SE

INTEGRATED ANNUAL REPORT 2019

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About **this report**

FINANCIAL STATEMENTS

The full set of consolidated annual financial statements, including the report from our Audit committee, directors' report, and auditors' report is contained on pages 112 to 244:

REPORTING APPROACH

We are pleased to present our integrated annual report to our stakeholders.

Tiso Blackstar Group SE ("Tiso Blackstar" "TBSE" or the "Company" or the "Group") is committed to the principles of integrated reporting which reflect our approach to long-term value creation and the role we play in society. We believe integrated reporting allows us to present a comprehensive view on our commitment to create value for all stakeholders by detailing our strategy as well as progress and challenges in realising this value. This report presents, to our shareholders and other stakeholders, an overview of the Group's financial and non-financial information for the period 1 July 2018 to 30 June 2019.

Tiso Blackstar is a UK registered Company with a primary listing on the Main Board of the Johannesburg Stock Exchange Limited ("JSE").

This integrated annual report has been prepared in accordance with the requirements of the JSE Limited Listings Requirements ("JSE Listings Requirements"), International Financial Reporting Standards ("IFRS"), and the requirements of the UK Companies Act 2006 ("UK Companies Act"). We acknowledge that the Group's transition to King IV™ Report on Corporate Governance™ for South Africa, 2016 ("King IV™") and compliance with the International <IR> Framework is a journey and we continued to develop our integrated annual report in this reporting period and to apply the principles of King IV™ and the International <IR> Framework.

Tiso Blackstar's external auditors, Deloitte LLP, as the statutory auditor and Deloitte & Touche as the local auditor for JSE reporting purposes, have independently audited the financial statements for the year ended 30 June 2019. Their unmodified audit reports are set out on page 119 to 128.

SCOPE AND BOUNDARIES

This report includes the activities of the holding company, Tiso Blackstar, and all of its operations and subsidiaries. The Group's core trading subsidiaries are incorporated in South Africa and their functional currency is South African Rands. The Group's business is conducted in Rands and the accounting records are maintained in the same currency. The ongoing review of the results of the operations conducted by executive management and the board is also performed in Rands.

The holding Company and the investment holding subsidiary are both UK registered companies and therefore comply with the requirements of the UK Companies Act. The Group's South African registered subsidiaries comply with the requirements of the South African Companies Act, 2008 ("SA Companies Act").

The board believed that it would provide stakeholders with a better understanding of the Tiso Blackstar Group if this report was structured in such a manner that the Group be analysed under three separate categories: Hirt & Carter Group; the Transaction and value extraction businesses. The report on the Group's largest trading subsidiary Hirt & Carter Group, which is a leading integrator of multi-channel marketing and communication solutions, can be found on pages 50 to 57. The sale of Tiso Blackstar's South Africa Media, Broadcast and Content assets ("TBG SA Group"), as well as its Media, Broadcast and Content assets in Ghana, Nigeria and Kenya ("Africa Associates" or "Africa Radio") and its South African radio assets ("SA Radio"), collectively known as the "Transaction" is dealt with separately on pages 58 to 65. As previously disclosed, a key part of Tiso Blackstar's strategy is to exit its non-core businesses (value extraction businesses) as efficiently as possible, extracting the best value for the shareholders. Refer to pages 66 to 69, which provides relevant information on these value extraction businesses.

Tiso Blackstar's development of policies, practices and relating disclosures in accordance with King IV™ and the <IR> framework are applicable to the core subsidiaries. Kagiso Tiso Holdings ("KTH"), Robor Proprietary Limited ("Robor") and the African Associates each have their own board of directors who are responsible for the overall management of the operations and development of good corporate governance. Tiso Blackstar's management team remains actively involved to ensure that they are adequately managed and operate in a responsible manner.

The report includes abbreviations and terms, which have been defined in the glossary on page 273. The process we utilised in determining and applying materiality is included on page 40 of this report.

FORWARD LOOKING STATEMENTS

Statements in this report that address future plans and objectives of Tiso Blackstar are forward looking statements and forward looking information that involve various risks, assumptions and uncertainties and are not statements of fact. The directors and management of Tiso Blackstar believe that the expectations expressed in such forward looking information are based on reasonable assumptions, expectations, estimates and projections. However, these statements should not be construed as being guarantees or warranties (whether expressed or implied) of future performance. General economic, business and financial market conditions; political risks; industry trends; competition; changes in business strategy are important factors that could cause actual results to differ materially; there may be other factors that cause results not to be as anticipated, estimated or intended. Tiso Blackstar is not obliged to publicly update any forward looking statements included in this report, or revise any changes in events, conditions or circumstances on which any such statements are based, occurring after the publication date of this report, other than as required by regulation. These forward looking statements have not been reviewed or reported on by the Group's auditors.

HOW TO **NAVIGATE OUR REPORT**

Throughout our integrated report, the following icons are used to show the connectivity between sections:

CAPITALS

FINANCIAL CAPITAL

HUMAN CAPITAL

MANUFACTURED CAPITAL

SOCIAL AND RELATIONSHIP CAPITAL

NATURAL CAPITAL

INTELLECTUAL CAPITAL

STRATEGIC PRIORITIES AND GROWTH DRIVERS

SUSTAINABILITY

AUDIENCE AND CUSTOMER DELIVERY

BENEFICIARY DELIVERY

PEOPLE

FINANCIAL STRENGTH

GOVERNANCE AND COMPLIANCE

GROWTH

ORGANIC GROWTH

INORGANIC GROWTH

MATERIAL RISK CATEGORIES

ECONOMIC ENVIRONMENT

CAPITAL MANAGEMENT

OPERATIONS

FINANCIAL

HUMAN RESOURCES

REGULATORY AND TAX ENVIRONMENT

IT AND INFORMATION INFRASTRUCTURE

Refer pages 40 to 49.

REPORT NAVIGATION

Further notes are available for this section

For further information please visit our website

About **this report** continued

BOARD **APPROVAL**

The board, assisted by its Audit committee and other sub-committees, is ultimately responsible for overseeing the integrity of the integrated annual report. The board confirms that, after applying its collective mind to the preparation and presentation of the integrated annual report and reviewing the content herein, they consider this report accurate, reliable and complete in presenting data and material matters. The board concludes that it has approved the 2019 integrated annual report on 12 November 2019.

For and on behalf of the board

AD Bonamour
Chief Executive Officer

DKT Adomakoh
Non-executive Chairman

12 November 2019

Group **fair value analysis***

Hirt & Carter Group

- Overview 52
- Business model 54
- Strategic report 56
  – Highlights and financial review

The Transaction

- Media
- Broadcast and content (excluding Gallo businesses and catalogue of indigenous films)
- Africa associates

Comprising:
– TBG SA Group
– SA Radio
– Africa Radio

- Details of the Transaction 59
- Business model 62
- Overview of the businesses included in the Transaction 64
- Strategic report 65
  – Highlights and financial review

58.5%

15.1%

26.4%

Value extraction business

Mainly comprises:
- KTH
- Gallo

- Business strategy and overview 67
- Strategic report
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  – Gallo businesses and catalogue of indigenous films 69
  – Robor 69

** Fair value based on management's internal valuation.*

OUR GROUP BUSINESS OVERVIEW

- Group highlights and challenges
- Strategy and performance highlights
- Our history
- Who we are
- Our capitals
- Strategic priorities and growth drivers
- The environment in which we operate

tiso blackstar group.

Group highlights **and challenges**

TRADING PERFORMANCE[1]

Trading Performance

↑ 3% | R415.8 million
(2018*: R403.7 million)

Trading Performance cash ratio

↑ 1.51 times
(2018*: 0.5 times)

STRATEGY

Highlights

- Disposal of certain **Media, Broadcast and Content** businesses and Africa Associates (pages 58 to 60)
- Acquisition of **First Impression Labels**

VALUE EXTRACTION BUSINESSES

- Progress of sale of non-core business
  – **Consolidated Steel Industries** sold
- Involvement in the **Kagiso Tiso Holdings** turnaround task committee
  – Turnaround strategy in place
- **Gallo** retained as **non-core**
- Liquidation of **Robor**

OPERATING HIGHLIGHTS AND CHALLENGES

REVENUE

Financial salient feature

Organic
Group revenue of
R5,208.6 million

Inorganic
FIL revenue of
R71.1 million

DEBT REDUCTION

Highlights

Debt down by

↓ 6.5%

Times interest ratio of

↑ 1.40 times
(2018*: 1.2 times)

FINANCIAL SALIENT FEATURES

Loss for the year
R547.8 million

EPS loss of
↑ 213.07 cents
(2018*: 142.96 cents)

HEPS loss of
76.60 cents
(2018*: 29.43 cents)

** Restated in accordance with IFRS 5.*

CHALLENGES

REVENUE
- Difficult trading and economic environment
- Increased competition

FINANCIAL SALIENT FEATURES
- Increased costs
- Customers' trading performance is constrained

PEOPLE
- Attracting and retaining skilled senior management

[1] *Tiso Blackstar's Trading Performance is calculated from profit before interest and tax after adding back depreciation, amortisation, straight lining of leases, share-based payment expenses and other gains/(losses). It therefore excludes items outside of the ordinary day-to-day activities.*

Strategy
and performance highlights

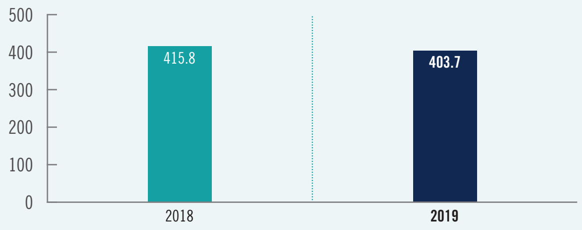
	STRATEGIC PRIORITY	STRATEGY AND PERFORMANCE HIGHLIGHTS
SUSTAINABILITY	**AUDIENCE AND CUSTOMER DELIVERY**	
	• Focus on consumer engagement • Focus on continuous technological innovation • Focus on customer experience • Sufficient capital expenditure	• Key marketing service provider to most retailers and FMCG brands • New apps and subscription services launched
	FINANCIAL STRENGTH	
	• Prudent gearing • Strong cash flow • Efficient operations	• Total debt reduction of 6.5% • Net acquisition debt to Trading Performance of 2.2 times (2018#: 2.5 times) • Total Group Trading Performance of R415.8 million (2018#: R403.7 million) • Net loss of R443.7 million (2018#: R238.8 million) from continuing operations • Loss for the year of R547.8 million significantly impacted by non-recurring losses (2018#: R378.6 million) • Headline loss per share 76.6 cents (2018#: 29.4 cents)
	PEOPLE	
	• Fully resourced and trained • Engaged	• Employ a total of 3,185 (2018: 3,773) people in the Tiso Blackstar Group, of which 3,071 (2018: 2,933) employed by trading subsidiary BHG • BHG training spend of R76.1 million (2018: R58.7 million) • Transformation and key talent retention focus
	BENEFICIARY DELIVERY	
	• Returns to shareholder through dividends and growth • Corporate Social Investment involvement • Community contribution through unbiased, balanced and objective content	• Level 2 B-BBEE achieved by BHG in 2018* which houses the main trading operations • R5 million invested in a range of local films with more than 51% black ownership • Investments, training and mentoring totalling over R4.3 million was spent on current small suppliers • Media financial support of charities R6.6 million • Hirt & Carter Group support of initiatives that benefit community >75% black beneficiaries • Focus on learnership and employing people with disabilities
	GOVERNANCE AND COMPLIANCE	
	• Comply with all relevant laws • Awareness and management of regulatory and governance risk	• Documentation of policies and procedures for King IV™ compliance • IFRS training • Implementation of an annual board workplan • No significant breaches of any legislation and no significant fines
GROWTH	**ORGANIC**	
	• Continued focus on improving efficiencies of existing businesses • Continued cost review and reduction	• Capital Expenditure – Investments – R190.0 million – PPE – R97.2 million – Intangibles – R33.0 million • Hirt & Carter Group revenue growth of 17.5% • Broadcast and Content business performed well due to growth in films from margin improvement and quality international film content, stable TV performance and lower radio losses
	INORGANIC	
	• Acquisitions • New projects • Disposal of non-core assets • The Transaction	• Acquired First Impressions Labels • R1,050 million sale (the Transaction) with TBG SA Group disposal closing 5 November 2019 • Full disposal of CSI • No progress on disposal of remaining interest in Robor – now in liquidation • Plan to realise KTH investment remains a priority. Turnaround strategy in place for KTH

** BHG is currently undergoing its annual verification process for the current year and will notify shareholders of its revised B-BBEE scorecard on finalisation.*
 # Restated in accordance with IFRS 5.

Key marketing service provider to most retailers and FMCG brands

New apps
and subscription services launched

Total Group Trading Performance (R'million)



3,071
(2018: 2,933)

People employed in BHG in South Africa

BHG training spend of

R76.1 million
(2018#: R58.7 million)

Transformation and key talent retention focus

Enterprise Development

R5 million

Supplier Development

R4.3 million

Media support of charities

R6.6 million

Support of youth literacy development in South Africa

R16.9 million

Anticipated savings **in head office costs**

Hirt & Carter Group revenue growth of

17.5%

Our history

KEY EVENTS

2006

Blackstar Investors PLC ("**Blackstar**", today Tiso Blackstar Group SE) listed on the LSE's Alternative Investment Market (AIM), raising GBP80 million for investment, predominantly into South Africa

2011

Blackstar secured a secondary listing on the **JSE's AltX**, raising a further R100 million for its investments strategy from South Africa

2012

Blackstar led the renaming, restructuring and listing of **Times Media Group**. Tiso Blackstar obtained a significant minority interest in Times Media Group via its investment in Mvelaphanda Group

2015

Blackstar bought out 100% of Times Media Group and absorbed Tiso's investment in KTH, rebranding the Company as **Tiso Blackstar Group**

Tiso Blackstar disposes of certain of its **South African Media, Broadcast and Content assets (“TBG SA Group”)**, as well as its **Media, Broadcast and Content assets in Ghana, Nigeria and Kenya (“Africa Radio”)** and its **South African radio assets (“SA Radio”)**

Tiso Blackstar acquired 100% interest in **First Impression Labels**

Disposal of wholly-owned non-core steel business Consolidated Steel Industries (“CSI”)

Tiso Blackstar became a single sector focused investment company in **Media** with substantial media operating capability

Tiso Blackstar moved its primary listing to the **JSE Main Board**

Tiso Blackstar **delisted from AIM**

2016

2017

2018

2019

Who **we are**

THE BUSINESS OF THE TISO BLACKSTAR GROUP

Tiso Blackstar

Who we were: a global company rooted in South Africa operating market leading media, broadcast, content and retail marketing properties.

Who we are going forward: a UK holding company with investments in South Africa.

The Tiso Blackstar business model is underpinned by a strong entrepreneurial focus, a unique network of assets and a dedication to excellence. Tiso Blackstar is committed to providing quality content and services to our varied audiences and customers, and value to our stakeholders.

The Company is incorporated in England and Wales and has its registered office and principal place of business at Berkeley Square House, Berkeley Square, Mayfair, London, W1J 6BD, United Kingdom.

As a Company incorporated in the United Kingdom (UK) and with its registered office in London, **Tiso Blackstar is subject to various laws in the UK**, which attach to those companies that conduct business, or part of their business, in the UK.

HIRT & CARTER GROUP

The Hirt & Carter Group is the largest marketing solutions company for the retail sector in Africa.

The Hirt & Carter Group uses **unique, state-of-the-art systems and processes to manage the entire retail and brand communication process from origination to final distribution** across print and digital media channels, using market innovation, technology and trend monitoring. It is active at every link in the production chain, adding value at every stage.

Uniprint, a division of Hirt and Carter Group, provides a full service from design to manufacturing and distributing a wide range of commercial print products and services to corporate customers and institutions with consumer mass markets or branch networks throughout Africa.

The Hirt & Carter Group will be retained by the Group following the Transaction.

Refer pages 50 to 57.

VALUE EXTRACTION BUSINESSES

During the period under review, Tiso Blackstar had investments in three businesses that it views as non-core.

Robor
(in which Tiso Blackstar holds a 47.6% interest), operated in the South African steel manufacturing sector

Refer page 69.

KTH
(in which a 20.01% interest is held) is an investment holding company

Refer page 68.

The non-core 100% interest in the steel business Consolidated Steel Industries Proprietary Limited ("CSI") was disposed of in November 2018.

Following the Transaction, Tiso Blackstar's 100% interest in the Gallo Businesses will also be considered as non-core, as the Company's strategy will be to develop the **Gallo Businesses** further with a view of ultimately exiting those businesses. Gallo is South Africa's largest music label.

Refer page 69.

THE TRANSACTION

Tiso Blackstar disposes of certain of its South African Media, Broadcast and Content assets ("TBG SA Group"), as well as its Media, Broadcast and Content assets in Ghana, Nigeria and Kenya ("Africa Radio") and its South African radio assets ("SA Radio")

Refer pages 58 to 65.

TBG SA GROUP – R800.0 MILLION SUBJECT TO CERTAIN ADJUSTMENTS

Media

The media segment is a premier newspaper, magazine and digital publisher and home to some of the most recognised brands in Africa. These include national, regional and community newspapers and magazines in consumer, business and specialist fields, as well as a specialised events business leveraging the Company's brands in trade and consumer markets.

Tiso Blackstar is the custodian of iconic brands that include the Sunday Times, Sowetan, Business Day, Financial Mail, The Herald and Daily Dispatch, amongst many others.

Collectively, these assets deliver a total audience of over 16 million readers. It is the largest publisher of English language daily and weekly newspapers in South Africa. The flagship, the Sunday Times, is South Africa's biggest weekly newspaper, but the Group also publishes numerous popular newspapers and magazines as well as websites that represent the second-largest audience in South Africa.

Broadcast and Content

The broadcast and content division houses the Company's interests in television, radio and film.

The Group owns three South African television channels and one of the country's leading TV production houses.

SA RADIO – R50.0 MILLION

Rise FM and Vuma 103FM (100% owned)

SA Radio comprises of two radio businesses in South Africa: Rise FM (owned and operated by Rise Broadcast) and Vuma 103FM (owned and operated by Vuma). Rise Broadcast and Vuma (both 100% owned) form part of the Broadcast and content segment

AFRICA RADIO – R200.0 MILLION

Multimedia Ghana (32.2% owned)

Founded in 1995, Multimedia Ghana is Ghana's largest radio, television and online network. Multimedia Ghana operates six local FM stations, broadcasting mainly in two languages from the two largest urban capitals in Ghana. Riding on the back of its six FM stations are over 40 affiliates and partner stations across the country.

Radio Africa Kenya (49% owned)

Radio Africa Kenya is a fast-growing and dynamic media company, based in Kenya. It comprises six national radio stations and one free-to-air TV station.

Coopers Nigeria (24.5% directly owned; aggregate effective 36.5% shareholding)

Coopers Nigeria owns Lagos Talks, a talk-radio station based in Nigeria. Tiso Blackstar has partnered with Radio Africa Kenya and Chris Ubosi, the CEO of Megalectrics Limited, which owns and operates three leading radio stations in Nigeria: Classic FM 97.3, The Beat 99.9FM and Naija FM 102.7.

Our **capitals**

FINANCIAL CAPITAL

Cash flow generation enables access to equity and debt capital to invest in growth opportunities

Total Group revenue
R5,279.7 million

Total Group Trading Performance
R415.8 million

Total equity
R2,371.8 million

MANUFACTURED CAPITAL

Emphasis is placed on quality product by investing in our own quality equipment or managing our outsourced manufacturers closely

PPE
R340.3 million

Total Group depreciation and amortisation
R185.2 million

- Specialised equipment
- Software
- Specialised factory space

HUMAN CAPITAL

Our people are the core in generating quality content that informs, entertains and positively influences. Our people are critical in meeting our clients' needs and expectations when helping them sell their products

Total Group employment costs
R1,133.3 million

Total Group training costs
R76.1 million

SOCIAL AND RELATIONSHIP CAPITAL

Mutually beneficial relationships with our stakeholders are vital to the long term success of the Group. Building trust in the quality of our content and our ability to help sell products is vital to managing these stakeholder relationships

100 Interns
– 44 completed their internship
– 25 out of the 44 were absorbed

Bursaries
R0.9 million
32 Bursaries

- Blackstar Foundation
- Enterprise development

Local films
R5.0 million

Supplier development
R4.3 million

INTELLECTUAL CAPITAL

Our people, processes and systems in editorial, content and product production underpin the provisions of our products and services

Our quality brands which are being used to develop new businesses and revenue streams such as eventing

- Technologically innovative products
- Software
- Collaborative product offerings within the Group
- Highly skilled staff compliment

NATURAL CAPITAL

Our utilisation of natural resources is predominantly driven by the use of land, water, paper, ink, waste and power at our production and office facilities and by the use of fuel and transport networks in distributing our products

- Conservative use of water, water, paper and electricity in our premises
- Use of borehole water
- Use of energy efficient lighting
- Recycling of waste

RISK

Capital	Risks
Financial	1, 2, 3, 4, 5, 6, 7, 8, 12, 13, 14, 15
Manufactured	21, 22, 23
Human	17, 18
Social and relationship	11, 17
Intellectual	1, 14, 16, 19, 20
Natural	9, 10

Pages 42 to 49.

Financial review (pages 23 to 25)

Executive summary (pages 19 to 22)

Our people review (pages 26 to 29)

- *Stakeholder management (pages 94 to 95)*
- *Transformation review (pages 32 to 35)*
- *Community review (pages 36 to 37)*

Executive summary (pages 19 to 22)

Environmental review (page 31)

Strategic priorities **and growth drivers**

Our business is underpinned by a unique network of assets, dedication to excellence and a strong entrepreneurial focus.

SUSTAINABILITY

AUDIENCE AND CUSTOMER DELIVERY

- Focus on consumer engagement
- Focus on continuous technological innovation
- Focus on customer experience
- Sufficient capital expenditure

BENEFICIARY DELIVERY

- Returns to shareholders through dividends and growth
- Corporate Social Investment involvement
- Community contribution through unbiased, balanced and objective content

PEOPLE

- Fully resourced and trained
- Engaged

FINANCIAL STRENGTH

- Appropriate gearing
- Strong cash flow
- Efficient operations

GOVERNANCE AND COMPLIANCE

- Comply with all relevant laws
- Awareness and management of regulatory and governance risk

GROWTH

ORGANIC

- Continued focus on improving efficiencies of existing businesses
- Continued cost review and reduction

INORGANIC

- Acquisitions
- New projects
- Disposal of non-core assets

KEY GROWTH STRATEGIES

- Operational efficiencies, with particular focus on technological innovation
- Retaining our talent pool
- Exit of non-core assets and reinvestment of capital into higher growth diversified opportunities
- Continued bolt on acquisitions of complementary product and services within the Hirt & Carter Group
- New retail and brand customer wins in South Africa and offshore

The environment **in which we operate**

The global trend of ongoing introduction of new legislation rulings, practices and policies continues

and the Group continues to ensure timely adoption where applicable

Refer Governance – Regulatory Compliance pages 92 to 93.

RISK

16 17 19 20

The world economy has slowed

Global economic growth in 2019

3.2%

RISK

1 2 3

The Group embraces new technology

and operates world class systems to deliver customer satisfaction and to remain relevant in the markets it operates.

Refer Governance – Technology and Information pages 88 to 91.

RISK

21 22 23

Global growth remains subdued at 3.2% in 2019. GDP levels and softening inflation indicate global activity being weaker than anticipated. Leading into 2020, global growth is expected to increase by 0.3 percentage points.

ECONOMIC ENVIRONMENT AND CONSUMER PREFERENCES

Global economic risks continue to be focussed on increasing trade tensions between China and the United States as well as the Brexit fallout. This trade-off rhetoric continued to generate volatility in international and local markets. In an attempt to support economic growth central banks globally are moving towards easing monetary policy.

South African economic growth

Continued headwinds and volatility have been experienced in the South African economy, culminating in stagnant economic growth and increasing unemployment rates. However, capital flows into emerging markets are showing positive signs through their continued recovery in 2019, this recovery has been fuelled by loosening monetary policy in the Unites States and Europe. South African-specific political, social and economic issues have constrained investment into the country. The Rand remained one of the world's most volatile currencies over the reporting period, with limited signs of abating.

Quelled demand-led inflation together with stagnant economic growth in South Africa allowed for the lowering of interest rates, proving a much needed breather for South African consumers. Economic growth was adjusted down in 2019 to 1.5 percent from an estimated 1.7 percent in 2018. This weaker outlook indicates a poor improvement in production and employment figures following subdued investment growth. Having said this there are positive signs that the economy has begun to gain lost ground, policy uncertainty which has limited investment has begun to ease.

The South Africa business confidence at the end of the reporting period was noted as 28 index points, subsequent measurements indicate a sharp decline in confidence to 21 index points, the lowest level since 1999. This sharp decline is considered to be driven by concerns over the health of the economy, high household debt and political uncertainty. Above inflationary increases in municipal rates, electricity and water have had an impact on both businesses and the consumer. Promise of increased political certainty and fiscal management will add to the seemingly positive trajectory of economic growth.

Wages in South Africa declined in the first quarter of 2019, this has raised concern of subdued household spending into the short term future. It is expected that government's push to attract investment should bolster the economy in the upcoming period. Tax receipt slippage continued, indicating subdued economic reform and performance. Unemployment remains stubbornly high and low GDP growth is expected to continue in 2018 and 2019.

Additional downgrades by "the big 3" ratings agencies remains a concern for Tiso Blackstar and the country as a whole. The biggest contributing factor to the ever-present possibility of a downgrade is Eskom's spiralling debt, approximately R450 billion at present. Moody's is the only major ratings agency which recognises South Africa as investment grade (despite their recent decision to change outlook to "negative"). Fitch as well as Standard & Poor have both downgraded South Africa to sub-investment grade. If Moody's were to downgrade South Africa in-line with the others, major capital outflows will be triggered due to the exclusion from certain key indices. In short, a downgrade by all agencies to "junk" will raise the costs of funding and lead to possible rand weakness and higher bond yields.

The underlying operations of the Group continue to be highly geared towards a pickup in consumer spending which is expected to result in an increase in advertising and marketing spend.

South African media markets

The South African media industry remains subdued, given weak economic activity and an ongoing structural shift in media consumption. The estimated value of the total advertising media market in South Africa is around R40.0 billion, and continues to be dominated by a few listed and unlisted groups.

The media market remains a highly competitive market. Tiso Blackstar is a relatively small participant but with a significant advantage due to its leading newspaper, magazine and digital titles, its broadcasting and content businesses as well as retail marketing solutions capability.

The traditional "above the line" advertising market remains stagnant and highly dependent of economic performance. TV holds the largest share of the media market, followed by print and radio. The digital advertising market continues to grow and is becoming more relevant with the rise in mobile internet and social media driven content. The emergence of video-on-demand and programmatic digital advertising is expected to continue disrupting traditional advertising models.

Marketing solutions provided to the retail and Fast-Moving Consumer Goods ("FMCG") sectors or "below the line" marketing spend tends to be less cyclical than the traditional advertising market. The structural shift to more digital marketing spend is occurring in this space although to a lesser extent than the "above the line" advertising market.

Non-South African media markets

The media industries in Nigeria, Kenya, Ghana and Tanzania offer significant growth opportunities. As their domestic economic activity grows, their media industries are set to mature. Typically, these countries are characterised by a high level of competition and are dominated by TV and radio, although print remains an important medium in Kenya. In addition, growth in internet access is expected to significantly impact on the traditional mediums in developing markets.

Media – an evolving industry

There is a continued transformation in the global media industry. This is largely driven by increasing penetration of digital media as well as changing consumer patterns. As such new revenue models and platforms are consistently being developed to disrupt and benefit from the continuously changing environment. The ever increasing pace of change requires market incumbents to be innovative and proactive in their business propositions to ensure a sustainable business model. It is understood that businesses focussed on targeted as well as quality content are better positioned to succeed.

Trends in the retail sector

In general the South African retail sector remains under pressure, both structurally and through macro-economic challenges. Digital channel retail continues to grow yet still remains underutilised in comparison to many similarly developed economies. This change is forcing traditional retailers to reconsider their standard method to market and business models. This provides considerable opportunity particularly for the Hirt & Carter Group.

Refer to Glossary on page 273 for references.

TECHNOLOGY

Hirt & Carter Group embraces new technology and operates industry leading systems to deliver customer satisfaction and to remain relevant in the markets it operates. New technologies have allowed the Group to deliver efficiencies in workflows and operations.

Technology is a critical factor for all businesses but was especially so for the Group given its media presence in all divisions. Key management remain close to the ground in ensuring the Group operates in line with new technologies and best practice. In the retail business units, technology plays an ever increasing role in reducing operating costs, driving efficiencies and providing a platform for innovation. In addition, technology is playing an ever increasing role in how retailers and brands engage with their consumers. The business units need to remain abreast of changes and trends in both manufacturing technology and consumer based technology, to remain relevant and at the forefront of what we do.

Consumer preferences

The increasing penetration of digital in the country is a significant factor for the Group. The publishing, films, music and retail sectors are undergoing shifts in consumption habits and these divisions are actively ensuring they retain their existing physical market positions in a digital environment. However, there is no expectation of a precipitous decline in physical markets in publishing and retail based on our own and international experience. The critical elements of putting quality and customer first will continue to define the Group's success going forward regardless of platform. The Group consistently remains aligned to latest trends and manages required changes in its business model dynamically and effectively.

Societal and Environmental issues

In the Hirt & Carter Group, the bulk of our products are paper based with Forest Stewardship Council ("FSC®") accreditation. The Hirt & Carter Group FSC® certified companies consists of Uniprint Forms (License code: SGS-COC-011061) and Triumph Packaging (License code:SGS-COC-010898). Clients and ultimately our or their consumers can be certain of the responsible and sustainable practices and resource management used in manufacturing that product.

Electricity and water usage are increasingly becoming areas of focus for businesses operating in South Africa. The Group has specific initiatives in place to reduce electricity and water usage.

REGULATORY ENVIRONMENT

The regulatory environment in which the Group operates continues to be complex with the Company's changing of its domicilia to the United Kingdom in June 2017, JSE listing along with ongoing introduction of new legislation rulings, practices and policies. A summary of the major relevant regulations currently receiving most focus are provided on pages 92 to 93 under Regulatory Compliance.

PERFORMANCE REVIEW

- CEO and Chairman's report (Executive summary)
- Financial review
- Our people review
- Health and safety review
- Environmental review
- Transformation review
- Community review

tiso blackstar group.

Executive **summary**

Tiso Blackstar is able to unlock significant value with the sale of its Media, Broadcast and Content businesses (excluding Gallo and the catalogue of indigenous films) and Africa Associates to Lebashe Investment Group Proprietary Limited ("Lebashe") and will focus on further unlocking value in its remaining assets, especially in KTH.

AD Bonamour
Chief Executive Officer

Tiso Blackstar had a difficult but very eventful year. While the economy weighed heavily on sentiment and consumer spending, the operations of Hirt & Carter Group performed satisfactorily, growing revenue 17.5% through a combination of acquisitions, organic growth and a stable Trading Performance of R286.0 million despite the unavoidable impact of the relocation of the businesses to one location. Future growth is expected as benefits of its consolidated operations in Durban are unlocked and acquisitive earnings pay out for a full financial year.

Hirt & Carter Group business continues to grow market share and operates in a unique position in the SA retail and FMCG market. It has excellent prospects and is well-positioned to grow into the continent and into other global markets due to its diverse offering.

The Gallo Music group has turned a corner after years of structural and disruptive change in the industry and is expected to continue to grow with dedicated focus and a sustainable business model. Gallo is a highly valuable business given its vast owned music catalogue.

Refer page 69.

A KTH turnaround task committee was set up, of which I am a member, whose main objective is to unlock shareholder value. In addition to this, a turnaround specialist was appointed to execute the turnaround strategy. An optimised KTH will enhance its prospects and ultimately improve the Group's ability to sell its interest in KTH. Based on the progress made thus far, there is potential for KTH to return to paying dividends in 2020. KTH's underlying portfolio declined by 3.2% from R6.8 billion to R6.6 billion after the applicable holding company discounts.

Refer page 68.

Robor had its worst year in its 97-year history and remained constrained by trading losses due to sub-scale volumes going through its mill. Regrettably Robor's merger with MacSteel did not transpire as planned and on 19 September 2019 the Robor board and shareholders placed Robor into voluntary liquidation. The investment has been written down to nil and all related loans have been impaired.

Refer page 69.

While market conditions make it difficult to sell assets identified for potential sale, including KTH, it remains the Group's priority.

The sale of the Media, Broadcast and Content businesses and Africa Associates will allow management to dedicate more time and effort into developing and growing the remaining assets and unlock significant value for Tiso Blackstar shareholders.

The proceeds arising from the Transaction will be utilised to lower Group debt by more than two thirds and reduce the related financial risk that the debt servicing imposed on the Group. The stronger balance sheet will give the Group sufficient flexibility to execute its strategy.

Refer pages 58 to 65.

Executive **summary** continued

HIRT & CARTER GROUP

The Hirt & Carter Group consists of Hirt & Carter, Uniprint, Triumph, First Impression Labels ("FIL") and many other integrated brands. They deliver unique design, marketing, technology, data insights and execution services to the Retail and FMCG market.

Hirt & Carter Group underwent a significant restructure during the year, with the consolidation of its Durban-based operations into a single new facility. This consolidation will drive efficiencies through shared services and enhanced lean manufacturing and allow the Group to offer seamless, integrated solutions to customers.

In addition, the Group acquired FIL, effective March 2019, and consolidated it with Uniprint Labels, under the First Impression Labels brand. This consolidation and integration was completed at the end of June 2019.

Despite the undertaking of moving from five locations to one during the year, Hirt & Carter Group delivered a 17.5% growth in topline turnover to R2,246.4 million. All divisions grew turnover with the exception of the Packaging division which has undergone a restructure and market focus adjustment to create a more sustainable future for the business.

Hirt & Carter Group delivered a Trading Performance of R286.0 million to end June 2019, which was marginally below the same period in the prior year. The group experienced margin squeeze of close to 3.9% because of the tough market conditions – mainly due to the inability to pass on some input cost increases to customers, inefficiencies as a result of the relocation process and pricing pressure from customers. In addition to this, the group had to outsource more production than normal to mitigate the effects of moving equipment whilst ensuring continuous delivery to customers. This affected the margin on this work for the period, and is considered to be a once-off event. Excluding abnormal costs incurred due to the relocation, operating expenses grew by 5.9% for the year.

The Hirt & Carter Group is now well placed to focus on the benefits of operating from an integrated site, with process improvement, efficiencies and better cost management being realised on an ongoing basis.

Outside of the opportunities that exist in South Africa and Africa, Hirt & Carter Group focus will be on global opportunities for its unique Retail Marketing Software Systems. The export of this integrated technology suite into mature markets will allow for offshore expansion, where it can offer a differentiated product and solution set.

Refer pages 50 to 57.

MEDIA, BROADCAST AND CONTENT

The Media, Broadcast and Content businesses, which are being disposed of as part of the Transaction, performed very well by holding Trading Performance at prior year levels, despite a drop of 6.4% in revenue and it being in one of the most challenging economic periods in South Africa's history.

Gallo showed pleasing growth in revenue of 6.4% in the year as new digital revenues outstripped declines in traditional physical sales. The music industry continues its recovery following a period of significant structural change and there are opportunities to build scale and grow the business further.

Refer pages 58 to 65.

DIVIDENDS

Tiso Blackstar did not declare a dividend in light of its current gearing levels. The board envisages that post the conclusion of the Transaction, further profitable trading in the upcoming year, and the possibility of other capital cash inflows would result in an improved financial position and therefore allow the Company to resume dividend declarations.

PREVIOUS DIRECTORS

It is with sadness that we note the passing of Wolfgang Baertz who was a non-executive director of the Company for 8 years.

EVENTS AFTER REPORTING DATE

Post year-end, management entered into an agreement whereby the contingent consideration due to the previous shareholders of BBS has been reduced by R13.0 million to R55.0 million, payable in three tranches and conditional on the profit before taxation audited June 2019 financial statements equalling or exceeding management accounts.

Subsequent to year end following negotiations, the terms of the existing guarantee of R110.0 million provided to a bank for the obligations of Robor was amended such that the guarantee would only be called upon in the event that the bank was unable to recover the debt through the realisation of the other security. Based on an independent expert's analysis of Robor's assets and debt as well as the Group's own assessment, the probability of the guarantee being called upon is considered to be remote and thus no value has been recorded in the financial statements in this respect.

Shareholders voted in favour of the Transaction at the Extraordinary General Meeting of the Company's shareholders held on 23 October 2019. The Transaction is in the final stages of completion with the TBG SA Group sale for R800.0 million being concluded on 5 November 2019 and the board believe that the Africa Radio sale for R200.0 million, will be successfully concluded during the month of November 2019. It is anticipated that the SA Radio sale will be completed and proceeds of R50.0 million received in about April 2020 once the sale has been unconditionally approved by the Independent Communication Authority of South Africa ("ICASA").

The debt and bank overdrafts relating to the sold businesses were fully settled using the proceeds from the sale of TBG SA Group finalised on 5 November 2019. The remaining proceeds were utilised to settle in full the debt relating to the KTH acquisition, to reduce any bank overdrafts held by the remaining Group,and proceeds from the Africa Radio, and SA Radio will be utilised to reduce Hirt & Carter Group debt to appropriate levels. The Group's stronger financial position will provide it with sufficient flexibility to execute its strategy.

As referred to in the Circular, the Transaction will result in certain amendments to the Group's Forfeitable Share Plan ("FSP"), being the Company's existing long-term incentive scheme. This includes the Remuneration Committee's decision to cancel the FSP following the disposal of the TBG SA Group, changes to the vesting of FSP awards under the FSP Rules for staff employed by the businesses being disposed of ("Media Participants") and an elective cash bonus being awarded to the Media Participants to compensate them for the early exit of the FSP and to ensure retention of key staff. In addition to this, at the Extraordinary General Meeting, shareholders approved the repurchase of the vested FSP shares from the Media Participants should they so elect ("Specific Repurchase") and a proposed amendment to the FSP rules to extend the vesting conditions for the forfeitable shares already in issue to remaining participants.

Shareholder approval was also obtained at the Extraordinary General Meeting for the reduction of the Company's share premium account by way of a Capital Reduction ("Capital Reduction"), so that it can be converted to distributable reserves which would then ensure that the Company has sufficient distributable reserves as required by the UK Companies Act to implement the Specific Repurchase. The Capital Reduction is currently in progress and will be finalised before the end of the calender year.

SALIENT FEATURES

Trading Performance[1] growth of

↑ 3.0%

(from R403.7 million to R415.8 million)

Revenue increase of

↑ 17.5%

for Hirt & Carter Group

Reduction in Group debt of

↓ 6.5%

- **Loss of** R547.8 million **incurred due to significant other losses[2]**
- **Disposal of certain Media, Broadcast and Content businesses, and Africa Associates for** R1,050.0 million
- **Turnaround strategy for** KTH
- **Continued difficult trading environment**
- **Successful integration of** Hirt & Carter Group operations **into one facility**

[1] *Tiso Blackstar's Trading Performance is calculated from profit before interest and tax after adding back depreciation, amortisation, straight lining of leases, share-based payment expenses and other gains/(losses). It therefore excludes items outside of the ordinary day-to-day activities.*

[2] *Refer to Financial review page 23 for further details.*

Executive **summary** continued

OUTLOOK

Following the successful conclusion of the sale of the Media, Broadcast and Content business and Africa Associates, the Company will have a highly focused approach on two key strategic priorities: development and growth of Hirt & Carter Group and unlocking the value in other assets which mainly comprises KTH.

Hirt & Carter Group, has significant upside potential both from a product and geographical perspective, while substantial time will also be spent developing the potential for strong growth in Gallo.

The TBG SA Group sale proceeds received on 5 November 2019 were utilised to reduce existing debt such that the Group's borrowings amounted to R450.0 million and asset based financing amounted to approximately R186.0 million. The borrowings will be further reduced to between R300.0 million and R350.0 million on receipt of the proceeds from the Africa Associates and SA Radio sales. Total debt will be comfortably serviced by the Group's remaining businesses. The strengthening of the Tiso Blackstar balance sheet as a result of the Transaction will be highly beneficial and presents an opportunity for management and the board to take a longer-term view around the future direction of the Company.

The current strategy has the following key performance drivers:

Short term

- Conclude final steps of sale of Media, Broadcast and Content business and Africa Associates;
- Focus on ensuring an ideal structure for a more streamlined business;
- Deliver on integration and acquisitions in Hirt & Carter Group to further improve earnings;
- Focus on unlocking value in KTH;
- Build on the gains in Gallo as music industry growth continues; and
- Develop Gallo further into SA and African market leader and pursue a sale thereafter.

Medium term

- Sale of certain assets as soon as market conditions allow, especially KTH;
- Hirt & Carter Group to capitalise on opportunities globally for its unique Retail Marketing Software Systems; and
- Seek consolidation opportunities in existing businesses.

Long Term

- Deliver strong shareholder returns off the reset asset base; and
- Consider high value strategic opportunities to further improve earnings and create long term value.

The significant nature of the Transaction has necessitated a re-evaluation of whether the Group's current accounting policies remain appropriate given the Group's change in circumstances specifically arising as a result of the Transaction, current economic conditions, the Group's current operating approach and the board's reassessment of the Group's strategy. As a result, the board is currently investigating whether it would be more appropriate that the Company is considered to be an investment entity which would necessitate a change in accounting policies from consolidation to holding investments at fair value.

The board is cognisant of the discrepancy between the underlying value of its businesses and the Company's share price, however there are many similar cases of listed South African business trading below their intrinsic value. The board will continue to assess this discrepancy and consider changes to strategy should it deem it necessary.

The Company has had a highly active and eventful year, including delivering operationally despite extremely difficult trading conditions, executing the sale of the Media, Broadcast and Content businesses and the Africa Associates, consolidating acquisitions made by Hirt & Carter Group and settling all the divisions into a single facility in Cornubia.

I would like to thank the board and my executive management teams for their efforts in ensuring delivery on all these fronts on schedule and ahead of expectations.

On behalf of the board

AD Bonamour
Chief Executive Officer

DKT Adomakoh
Non-executive Chairman

Financial **review**

The Group had a difficult trading financial year, however the Group was still able to report 3.0% growth in Trading Performance and as previously mentioned, significant changes occurred during the year to date which will have a positive impact on the Group.

HIGHLIGHTS AND OVERVIEW

The Group had a difficult trading financial year, however the Group was still able to report 3.0% growth in Trading Performance of R415.8 million of which 68.8% (R286.0 million) was contributed by Hirt & Carter Group. The stable trading performance did not however translate to profit on the bottom line as a result of several once off losses.

Significant changes occurred during the year to date which will have a positive impact on the Group, including the Transaction, which is a fundamental input in the preparation of the consolidated annual financial statements for the current reporting period. This resulted in changes to the Group's financial statements including prior year amendments and reclassifications for discontinued and continuing operations as well as a restructure of the statement of profit and loss.

ANALYSIS OF PERFORMANCE

The composition of Tiso Blackstar's loss for the year of R547.8 million is relevant in understanding the Group's Trading Performance and the financial impact of the significant events which took place during the current year.

	Reviewed Year ended 30 June 2019 R'000	Restated* Audited Year ended 30 June 2018 R'000	Movement 30 June 2019 R'000
Trading Performance	**415,769**	403,674	**12,095**
Depreciation, amortisation, share based payment expense, and straight lining of leases	**(229,984)**	(211,745)	**(18,239)**
Other (losses)/gains	**(443,312)**	(191,558)	**(251,754)**
– Impairment of loans to Robor and Robor related loans	**(68,303)**	–	**(68,303)**
– Loss on remeasurement to fair value less costs to sell – Africa Associates disposal group	**(154,760)**	–	**(154,760)**
– Loss on remeasurement to fair value less costs to sell – Media, Broadcast and Content disposal groups	**(59,269)**	–	**(59,269)**
– Fair value loss on contingent consideration owing on acquisition of BBS	**(46,483)**	–	**(46,483)**
– Non-recurring costs incurred on relocation of Hirt & Carter Group	**(46,882)**	–	**(46,882)**
– Realised losses on disposal of subsidiaries	**(16,400)**	(2,099)	**(14,301)**
– Losses in respect of CSI (disposed of in the current year)	**(27,348)**	(178,771)	**151,423**
– Other	**(23,867)**	(10,688)	**(13,179)**
Net finance costs	**(167,558)**	(220,653)	**53,095**
Share of (loss)/profit and net impairments of associates – equity accounted	**(132,739)**	(97,561)	**(35,178)**
– Share of loss of associate – Robor	**(133,578)**	(11,666)	**(121,912)**
– Impairment of associate – Robor	**(4,017)**	–	**(4,017)**
– Share of (loss)/profit of associate – KTH	**(18,038)**	169,071	**(187,109)**
– Reversal of impairment/(impairment) of associate – KTH	**7,935**	(265,603)	**273,538**
– Other	**14,959**	10,637	**4,322**
Taxation	**10,042**	(60,788)	**70,830**
Loss for the year	**(547,782)**	(378,631)	**(169,151)**

** Restated 30 June 2018 reported figures in accordance with IFRS 5.*

Financial **review** continued

Despite an acceptable Trading Performance of R415.8 million, the Group reported a loss of R547.8 million for the current year, due to the significant other losses incurred during the year which mainly comprised the following:

- Loan receivables owing by Robor of R68.3 million have been written off;
- Impairments recognised to carry the discontinued operations at fair value less costs to sell in accordance with IFRS 5, include R154.8 million and R59.3 million in respect of the Africa Associates and Media, Broadcast and Content businesses respectively;
- An adjustment to the contingent consideration owing on the acquisition of the Group's interest in BBS of R46.5 million;
- Once off costs relating to the relocation of the various operations of Hirt & Carter Group to one facility of R46.9 million; and
- Realised loss arising on disposal of subsidiary STS of R16.4 million and losses of R27.3 million in respect of CSI which was disposed of during the current year.

Also impacting the current year's results was the write down of the investment in associate Robor to nil at 30 June 2019 through equity accounted losses of R133.6 million and an impairment of R4.0 million. A reversal of impairment on the associate KTH of R7.9 million was recognised based on the change in the intrinsic net asset value of the underlying investments after taking into consideration the equity accounted income and reserves of KTH.

With reference to the consolidated statements of profit and loss and other comprehensive income, revenue from continuing operations declined by 22.8% to R2,362.3 million. The movement includes a 17.5% increase in Hirt & Carter Group revenue of R335.2 million which was mainly arose as a result of growth in the current revenue streams and additional revenue arising post the acquisition of FIL. This was however off-set by a R1,002.7 million decline in respect of Robor, whose revenue was only included in the prior year until December 2017 when Tiso Blackstar disposed of a 3.4% interest in Robor, resulting in loss of control and therefore no further consolidation of Robor's results. The acquisition of FIL and loss of control of Robor hinder a true year-on-year analyses of revenue. The positive contribution of FIL's revenue for a full year will be seen in 2020.

The net loss from continuing operations amounted to R133.1 million, which was significantly impacted by other losses of R177.6 million, mainly comprising relocation costs, Robor loan impairments and BBS contingent consideration adjustment as discussed above. It must be noted that the loss of R133.1 million includes amortisation of intangible assets of R51.0 million.

Finance costs decreased due to the R65.5 million reduction in interest bearing borrowings from the prior year.

Basic loss attributable to shareholders increased to R560.2 million from a loss of R378.9 million in the prior year, mostly due to the non-recurring losses detailed above. Headline losses amounted to R201.4 million and is materially impacted by the losses on remeasurements to fair value less costs of R224.7 million as well as KTH's headline earnings adjustments amounting to R102.9 million. Weighted average number of shares, net of treasury shares amounted to 262,942,000 resulting in a basic loss per share of 213.07 cents – from basic losses per share of 142.96 cents in the prior year. Headline loss per share was 76.60 cents per share from 29.43 cents per share in the prior year.

DISCONTINUED OPERATIONS & NON-CURRENT ASSETS HELD FOR SALE

The Transaction has impacted the valuation and classification of the assets and liabilities identified for sale with reference to the sales agreements in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations (IFRS 5). At 30 June 2019, the assets and liabilities which are to be disposed of to Lebashe, have been classified as non-current assets held for sale (R1,491.8 million) and liabilities associated with non-current assets held for sale (R487.1 million).

The debt and cash of the businesses that are being sold have not been classified as held for sale as the structure of the Transaction results in these balances being settled utilising the proceeds received.

The non-current assets held for sale are measured at the lower of carrying value and fair value less costs to sell, and the resulting in a Media, Broadcast and Content disposal groups' loss on remeasurement of R59.3 million which is allocated against goodwill as an impairment, and a R154.8 million loss on remeasurement of the Africa Associates disposal group. The results of the Media, Broadcast and Content businesses and Africa Associates are separately disclosed as discontinued operations with the prior period being reclassified accordingly.

CSI is also included as a discontinued operation to date of sale in November 2018 and non-current assets held for sale and liabilities associated with non-current assets held for sale in the prior period comprise the CSI disposal group.

Both KTH and Robor interests are no longer accounted for as non-current assets held for sale but rather equity accounted as investments in associates and included in continuing operations, with comparatives being amended.

The loss from discontinued operations, net of taxation, of R104.1 million mainly includes the losses arising on the re-measurement of disposal groups to fair value less costs to sell.

CASH FLOWS

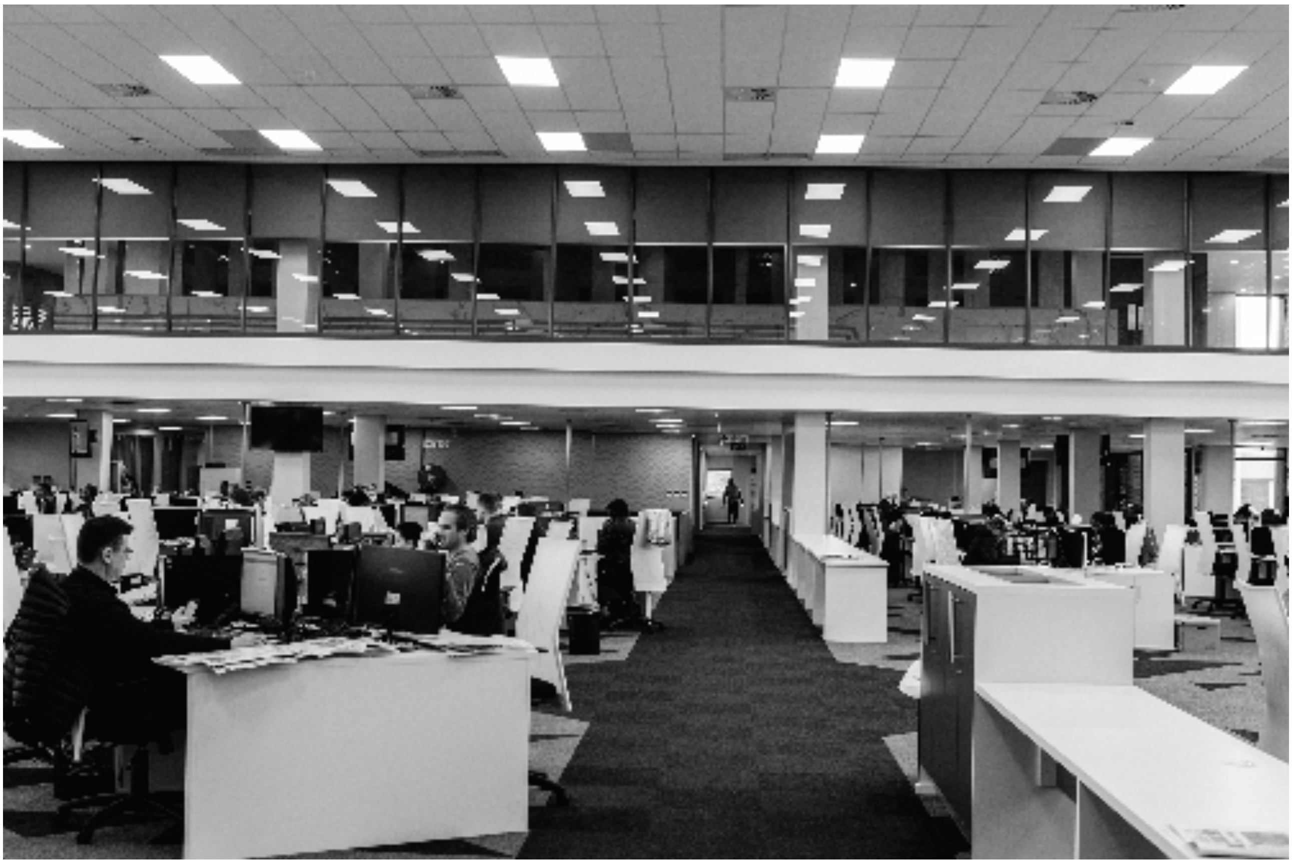
The statement of cash flows includes the cash flow movements for subsidiaries classified as non-current assets held for sale being the Media, Broadcast and Content disposal groups and CSI disposal group (until date of sale) in the current year and the CSI disposal group in the prior year. The comparative period also includes the cash flows of Robor up until the date of loss of control when it ceased to be a subsidiary. These complexities need to be taken into consideration on review of the statement of cash flows year on year, and with reference to the movements in the statement of financial position line items.

Cash generated by operations amounted to R280.5 million prior to net finance costs of R166.1 million being paid. Net cash generated by investing activities of R100.6 million comprises of the following: R97.2 million cash outflow on acquisition of plant and equipment (the majority of which related to the CAPEX spend required on Hirt & Carter's relocation to its new facility); R104.5 million additions to loans and receivables relating to the CSI disposal and additional funding of R50.0 million provided to Robor; R75.2 million net cash outflow on acquisition of FIL; and a R345.6 million net cash inflow on disposal of CSI and STS. Total debt raised of R196.3 million includes R100.0 million of term debt raised to finance the first instalment on acquisition of FIL of R95.0 million and R43.1 million of additional asset based financing. Repayments of total debt of R249.8 million include scheduled repayments and additional repayments of R68.9 million to reduce the debt relating to the KTH acquisition. Overall the Group reported a net increase in cash and cash equivalents of R112.3 million.

FINANCIAL POSITION

The decline in net asset value attributable to the equity holders of the parent of R568.5 million arises as a result of the loss for the year. Movement in assets and liabilities were impacted by reclassifications of disposal groups to non-current assets held for sale.

During the current reporting period, 3,445,859 new shares and 2,664,950 treasury shares were issued under the FSP. For accounting purposes, shares issued under the FSP are not considered as issued. No further tranches of shares will be issued under the FSP as a result of the cancellation of this incentive scheme.



Our **people review**

KEY PERFORMANCE INDICATORS

Employment equity score in relation to B-BBEE scorecard (out of 19)

2018: 13.2*

** BHG's annual verification progress currently underway for the 2019 B-BBEE scorecard.*

Staff turnover rate

⬇ 16.3%

(2018: 16.4%)

Total training spend

⬆ R76.1 million

(2018: R58.7 million)

The above indicators reflect our employment equity progress specifically for BHG, which included Media, Broadcast and Content and Hirt & Carter Group for the current year.

A wide range of employees with an equally varied level of skills, are critical in all of the operations of the Group to execute the strategies and deliver value

Our recruitment, talent acquisition and retention strategies promote diversity across all management levels. The strategy is to focus on transformation in senior executive roles for succession planning.

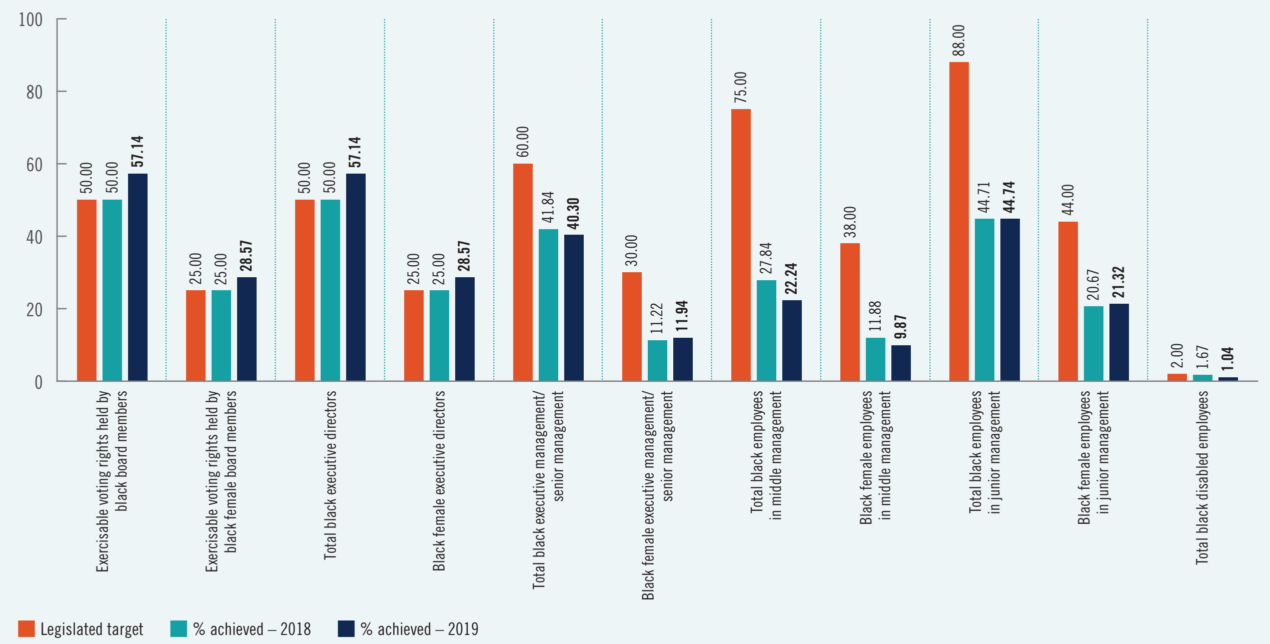
In line with our strategic priorities, an engaged workforce of 3,071 qualified, trained, and empowered people are employed across the Blackstar Holdings Group Proprietary Limited ("BHG") which included Media, Broadcast and Content and Hirt & Carter Group for the current year. Empowered management and relevant support services support the employees, fostering relationships through action, integrity and honesty.

Tiso Blackstar complies with local labour legislation in South Africa such as the Basic Conditions of Employment Act, 1997 and the Labour Relations Act, 1995 Meeting legislated targets for employment equity is more challenging, given the specialist nature of skills required in our business.

EMPLOYMENT EQUITY

Tiso Blackstar's recruitment and promotion practices are aligned to the expectations of the B-BBEE code so as to mirror the demographics of South Africa. Efforts in this regard are ongoing and will continue until the requirements are met.

Employment equity table as at 30 June 2019 for BHG (%)



Analysis of employees as at 30 June 2019 at BHG level

	Board participation	Other executive/ senior management	Middle management	Junior management	Semi-skilled employees	Unskilled employees	Totals
African males	1	10	24	220	315	121	**691**
African females	–	4	16	197	233	69	**519**
Coloured males	–	5	25	78	97	23	**228**
Coloured females	–	1	17	104	97	14	**233**
Indian males	1	23	61	266	191	12	**554**
Indian females	2	11	24	89	62	3	**191**
White males	3	55	71	150	24	2	**305**
White females	–	24	94	163	50	1	**332**
Non SA males	–	1	0	4	5	0	**10**
Non SA females	–	0	1	3	2	2	**8**
Totals	**7**	**134**	**333**	**1,274**	**1,076**	**247**	**3,071**
2018 – Totals	8	98	352	1,229	1,028	218	**2,933**

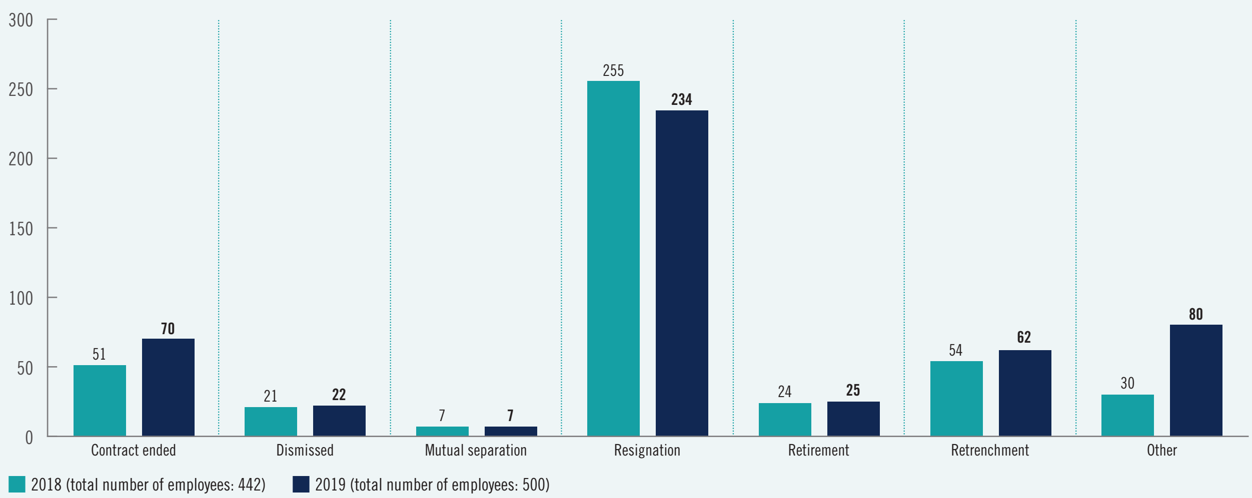
Our **people review** continued

JOB CREATION AND EMPLOYEE STABILITY

Staff turnover

Compared to the same period last year, there was a decrease in labour turnover from 16.4% to 16.3%. The number of retrenchments declined substantially this year with the highest number of terminations being resignations, non-renewals of contracts, followed by retirement and dismissals. The company still remains focused on retaining talent at all levels of the Group.

Termination history of BHG (Number of employees)



The following planned initiatives were implemented in the 2019 financial year to retain and motivate key individuals as well as all staff members:

- a succession management strategy, implemented effective July 2018, in addition to the long term incentive scheme in the form of a FSP, which is designed to incentivise, motivate and retain the right calibre of employees. Refer to the Remuneration report on page 100 for further information on the FSP. (Important for noting is the effect of the Transaction on the FSP);
- recognising and rewarding talent – a new strategy and area of focus implemented in July 2018 in addition to the performance appraisal system and short term incentive awards;
- benchmarking – ensuring remuneration is above market related; and
- further training and development.

The Group's businesses operate in competitive markets and rely on the skills of high calibre people.

The Group strives to remunerate employees fairly and commensurate with expectations of them.

Retention strategies and incentives are aligned with individual scorecards and the overall objectives of Tiso Blackstar.

Our philosophy aims to:
- attract and retain top-quality employees;
- create a performance environment where success is rewarded; and
- maintain Tiso Blackstar's entrepreneurial culture.

The objectives of the Group's Remuneration Policy are to:
- promote the achievement of strategic objectives;
- encourage individual performance and promote positive outcomes; and
- promote an ethical culture and responsible corporate citizenship.

Further details thereof are provided on page 102 of the Remuneration report.

EDUCATIONAL DEVELOPMENT (SKILLS AND TRAINING) AND CONDUCIVE WORKING CONDITIONS

Ongoing investment in the development of skills and the provision of training is reflected in the amount that is spent year on year in the table below:

Skills development expenditure incurred by BHG

	African		Coloured		Indian					
Total skills development expenditure R'm	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Total black**	**Total white**	**Black disabled**	**Total**
2019	**23**	**12.4**	**4.5**	**2.1**	**24.6**	**2.7**	**69.3**	**6.8**	**2**	**76.1**
2018	16.7	11.6	2.8	1.9	16.8	2.5	52.3	6.4	1.4	**58.7**

Our employees are one of the key enablers that assist the Group in executing its strategy, recognising that employees are fundamental to the sustainability and growth of the business. Training is designed to empower our employees and support diversity, thus developing the full potential of every member of our workforce which is a business priority. Training and development programmes are aimed at ensuring all employees are properly equipped for their work environment. As such, we focus on developing skills in sales, editorial, IT and digital, printing, film, photography and production directing, amongst others. Other areas of focus include: lean management principles and practices, design, software, management development and systems training.

In line with the Hirt & Carter Group and the B-BBEE strategy, the organisation has remained committed to providing experiential learning opportunities to qualified students from previously disadvantaged communities and positioning them for permanent employment. The recruitment and selection process of interns has been designed to promote equity and diversity. For the financial year ending June 2019, the Group has employed 58 students who received internship opportunities in engineering, human resources, photography, information technology, finance, sales and marketing. They have been given a chance to gain practical first-hand knowledge of the manufacturing industry by working on real projects and are now integrated into the operations of the business by been exposed to the Group's people, culture and the fast-paced, ever-changing work environment.

See skills development per B-BBEE scorecard on page 33.

The Media and Broadcast and Content divisions received a separate bursary scheme funded by The FIBRE Processing and Manufacturing ("FP&M"), Sector Education And Training Authority ("SETA") whereby it would receive R2.1 million over a three year period to fund undergraduate degrees for 20 learners. The projects commenced on 31 August 2017 and will end on 31 May 2021.

The businesses housed within BHG are required to implement a Workplace Skills Plan ("WSP") and the Annual Training Report ("ATR") which are central to the establishment of the skills development system. The WSP focuses on building a stronger talent pipeline, retaining talent, improving performance, training and maximizing the return on learning and development. Development of employees is supported through, amongst other things, bursaries, learner-ships, skills programmes, in house and external training on new technology, seminars, apprenticeships and workshops.

Tiso Blackstar ensures conducive working conditions by implementing regulated working hours and ethical remuneration. This is achieved through adherence to its human resources policies which are aligned with employment legislation, its Code of Conduct and Ethics Policy, and its Fair and Ethical Pay Framework.

Further details thereof are provided on page 98 of the Remuneration report.

Training is categorised through:

- bursaries;
- internships;
- skills programmes;
- inhouse training;
- apprenticeships;
- workshops;
- seminars; and
- health and safety.

See areas of focus for 2020 in Remuneration committee feedback report on page 99.

Health and **safety review**

KEY PERFORMANCE INDICATORS at a BHG level

Number of lost-time injuries

5

(2018: 9)

Number of occupational or lifestyle diseases

0

(2018: 2)

A key consideration within Tiso Blackstar is the health and safety of its employees, as the Group depends greatly on the skills and wellbeing of its people.

Regulations are met within all our operating areas, as the Group complies with local regulations and our aim is to institute best-practice standards across the Group.

The nature of our business presents a low risk to the health and safety of our people. Robust processes ensure we maintain this status.

We recorded **no fatalities** in the reporting period, and the 5 (2018: 9) lost-time injuries recorded during the year were primarily minor.

No cases of occupational diseases were recorded in the current reporting period, and the prevalence of so-called lifestyle diseases (including hypertension, obesity and diabetes) is not a material risk in our workforce or to our business.

Health and Safety is enforced across the Group through the following mechanisms:

- ongoing risk assessment with respect to health and safety;
- induction training (also for contractors and suppliers);
- safety files; safety training, inspections and audits;
- first aid training;
- fire evacuation training and emergency planning; and
- environmental awareness.

Responsible officers are appointed at each location, all safety incidents reported, and investigated.

Tiso Blackstar ensures Health and Safety regulations have been addressed by the implementation of the regulatory and statutory Occupational Health & Safety Act requisites. Opportunities and Risks have been identified and the necessitated structures and resources are in place to monitor, control and report on these risks.

Due to the nature of the Hirt & Carter Group's operations, each of their employees is required to sign a Health & Safety Policy, which assists in achieving a safer working environment.

Environmental **review**

NATURAL CAPITAL

Our utilisation of natural resources is predominantly driven by the use of land, water, paper, ink, waste and power at our production and office facilities and by the use of fuel and transport networks in distributing our products

- Conservative use of water, paper and electricity in our premises
- Use of borehole water
- Use of energy efficient lighting
- Recycling of waste

Tiso Blackstar operates as a sustainable business, in terms of both long-term profitability and the environment.

The Group is committed to reducing its carbon footprint and managing this as part of its focus on sustainable development. This includes the integration of environmental practices into our operations.

In our Media, Broadcast and Content businesses, the impact on the environment and natural resources is limited. They focus on reducing energy usage through running their air-conditioning plants on timers to reduce electricity load, use of LED lights throughout the buildings and light sensors in common areas, there are no geysers in bathrooms, reduced water pressure to reduce overall water usage as well as inspecting all water points to avoid leaks and the recycling of all waste as to not encourage landfill.

All businesses within the Hirt & Carter Group are accredited with the FSC®. FSC® certification guarantees customers that the FSC®-labelled product they buy has come from a forest and supply chain that is managed responsibly.

Hirt & Carter Group's operations were FSC®-certified in 2018. Hirt & Carter Group is a member of Forestry SA, which subscribes to best practice in maintaining forest resources. FSC® certification is the global standard for responsible use of paper and ultimately the forests from which paper is produced. The council's mission is to promote environmentally sound, socially beneficial and economically prosperous management of the world's forests. The FSC® chain-of-custody certification, traces the path of products from forests through the supply chain, verifying that FSC®-certified material is identified or separated from non-certified material throughout the chain. Any company in this supply chain – from harvesters to processors, manufacturers, distributors, printers, retailers or anyone taking ownership of the forest product before the end user – needs to be FSC®-certified to label or promote their products as such. The chain-of-custody process assures consumers that the FSC®-certified products they purchase emanate from responsibly managed sources.

Most of the waste generated by processes within the Hirt & Carter Group is recycled to the fullest extent possible whilst a waste treatment plant at Hirt & Carter's premises reduces the net waste produced. Recycling is achieved in partnership with Mpact Recycling Proprietary Limited and various other recycling companies. In our Cape Town manufacturing facilities, water usage has been reduced and water storage is in place to mitigate the effects of the severe regional drought.

Sustainable initiatives driven by the Group, focus on the footprint that the business has on the manufacturing, distribution and disposal of printed material. The impact that the finished product has on the environment is discussed at the initial design and development stage and controls are implemented during production and delivery to ensure that recycling and reuse of waste is communicated both internally and externally. Waste reduction practices are implemented for utilities, production, waste disposal, transport and alternate raw materials.

After waste is sorted into recyclable and non-recyclable waste streams, waste disposal practices are conducted according to ISO and Government gazetted standards. The selection of utility services pumps and equipment and the lighting throughout the factory and office was considered not only according to the printing environment requirements, but also with the lowest possible energy demand in mind.

The oversight role of the Social, Ethics and Transformation committee includes the impact of the Group on the environment – refer to pages 80 and 82.

Transformation **review**

KEY PERFORMANCE INDICATORS

BHG's current B-BBEE scorecard for 2018*

Ownership
25.00*

Management control
12.91*

Skills development
15.9*

Supplier and enterprise development
36.91*

Socio-economic development
5.00*

TOTAL
95.72*

RATING LEVEL
2*

** BHG is currently undergoing its annual verification for the current 2019 year and will notify stakeholders of its revised B-BBEE scorecard as soon as it is finalised.*

The Group acknowledges that South Africa is a diverse and multicultural society and aims to significantly impact on the economic growth of the country by designing initiatives to deliver on its strategic objectives for transformation.

BROAD BASED BLACK ECONOMIC EMPOWERMENT

- B-BBEE is currently a group wide strategic focus across all business units within BHG
- BHG achieved a level 2 rating for the 2018 year and is currently undergoing its verification for the 2019 year
- The new certificate is expected imminently and will be valid for one year from date of issue

B-BBEE forms a key strategic focus area for Tiso Blackstar, falling within its strategic priorities of People: Transformation and Beneficiary Delivery. Tiso Blackstar remains committed to making a positive contribution to the process of transformation recognising it as critical for the sustainability of its operations situated in South Africa.

Section 13G (2) of the Broad-Based Black Economic Empowerment Act, No. 53 of 2003, as amended ("the B-BBEE Act") specifically indicates that all public companies listed on the JSE must provide to the B-BBEE Commission a report on their compliance with broad-based black economic empowerment. As a result of Tiso Blackstar being domiciled in the United Kingdom, the Company itself has not specifically focused on the requirements of the B-BBEE Act, instead, each South African subsidiary in which the Company has a direct investment has ensured compliance with the B-BBEE Act. As a result of Tiso Blackstar being domiciled in the United Kingdom, the JSE and B-BBEE commission exempted Tiso Blackstar from the requirements of section 13G(2) in the prior year and Tiso Blackstar has applied for the same exemption from the JSE and B-BBEE commission in the current year.

Tiso Blackstar's wholly owned subsidiary, BHG, houses the main operating businesses of the Group.

See areas of focus of Remuneration Committee on page 99.

BHG established a B-BBEE steering committee in the prior financial year whose purpose is to set a strategy based on the revised codes of good practice and to ensure that the Group is compliant with legislation. The committee is focused on all elements of the scorecard thereby addressing the following:

- ensuring that the diversity of the Group's employees is maintained;
- that our staff and unemployed people are appropriately skilled;
- ensuring supplier compliance is met across all the preferential procurement indicators;
- continuous development of small businesses; and
- ongoing investment into and development of our communities.

Tiso Blackstar recognises the majority of its black ownership through broad-based trusts. During the year, the B-BBEE Commission noted that a number of South African companies did not comply with the requirements to claim black ownership due to the manner in which broad-based trusts were structured. Tiso Blackstar has engaged with its legal advisors and shareholders who are impacted by this legislation, along with the B-BBEE Commission, to conclude on this matter and to ensure compliance by all parties concerned. This matter was still ongoing at the signature date of this report.

Salient features of the BHG scorecard are:

OWNERSHIP

- **It is critical to the B-BBEE strategy to retain a Majority Black Owned Company and to enhance Black Female Ownership.**

MANAGEMENT CONTROL

- **Improved on some elements of Management control by ensuring that the talent and recruitment strategy promotes diversity across all management levels;**
- **the strategy is to focus on specific transformation targets in senior executive roles for succession planning; and**
- **creation of talent pipeline with diversity as the recruitment strategy.**

SKILLS DEVELOPMENT

The Group invested R76.1 million in the development of its employees in the year under review.

This investment also allows Tiso Blackstar to demonstrate how it gives effect to the skills development component of the B-BBEE scorecard ie:

- **fostering a learning culture by promoting internal training for the development and upliftment of its staff; implementation of internship programmes has secured a talent pool of young graduates for the purposes of succession planning and transformation;**
- **providing skills training to unemployed people from previously disadvantaged backgrounds;**
- **to achieve the more onerous revised codes – the targets for LAI's (Learnerships, Apprenticeships, and Internships) have increased from 2.5% to 5% of headcount for FY June 2020; and**
- **commitment to providing experiential learning opportunities to qualified students from previously disadvantaged communities will remain.**

Details of our progress with respect to employment equity (management control) and skills development are provided under the Our People review on page 26 and 29.

Transformation **review** continued

PREFERENTIAL PROCUREMENT

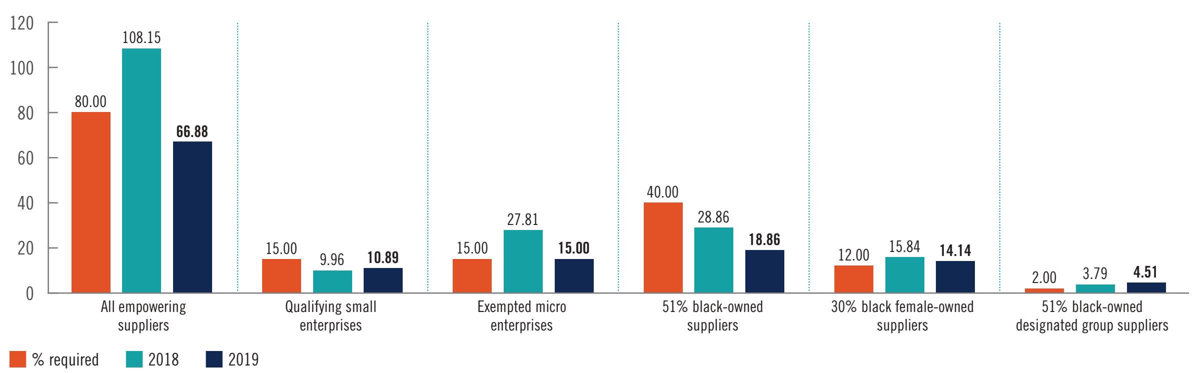
Preferential procurement is measured on expenditure with all empowering suppliers, and based on B-BBEE procurement recognition levels, as a percentage of total measured procurement spend.

- Enterprise and Supplier Development is embedded within procurement processes and practices. Commitment remains to supporting local empowerment suppliers who offer competitive and sustainable long-term procurement solutions to the Group. Existing suppliers are monitored on an ongoing basis to ensure that the B-BBEE prerequisites are met, which includes consideration of:
  – The actual Rand spend with B-BBEE empowered entities.
  – Supporting the growth and development of B-BBEE rated suppliers and procuring from majority Black owned suppliers.

Enterprise and Supplier Development has been a strong point of the Group's B-BBEE performance and will continue to be a key focus area.

The breakdown of the actual percentage achieved for the current and prior year compared to the targeted percentage as per the B-BBEE scorecard is provided below.

Empowering suppliers (%)



SUPPLIER AND ENTERPRISE DEVELOPMENT

In many of our markets, initiatives are in place to increase the proportion of local participation and ensure equal access to opportunities, with the ultimate aim of reducing income inequalities.

In line with South African legislation, we have identified micro enterprises with at least 51.0% black ownership as enterprise development beneficiaries and several small enterprises, at least 51.0% black-owned, as supplier development beneficiaries.

During the current and comparative periods, our support was allocated as follows:

	ENTERPRISE DEVELOPMENT		SUPPLIER DEVELOPMENT
	Financial and operational assistance rendered in developing B-BBEE empowered enterprises (>51% black-owned and Exempt Micro Enterprises ("EME's")/Qualifying Small Enterprises ("QSE's") who are not yet suppliers with a view to graduating them into the supplier base		This relates to financial and operational assistance rendered in developing B-BBEE empowered enterprises (>51% black-owned and EME's/QSE's) who are current suppliers, with a view to growing their portfolios
2019	R5.0 million invested in a range of **local films with more than 51% black ownership**		Investments, training and mentoring totalling over R4.3 million was spent on current **small suppliers**
2018	More than R13.0 million was invested in a range of **local films with more than 51% black ownership**		Grants, early payments, investments and training and mentoring totalling over R5.0 million was spent on current **small suppliers**
2017	R10.0 million investment in the production of the **Shepherds and Butchers movie**, benefitting a micro enterprise that is not a Group supplier **The movie won key international awards** and was released in local cinemas by our Films unit, **Empire Entertainment**		Grants, early payments, investments and training and mentoring totalling over R5.0 million for **micro and small enterprises** that are existing Group suppliers

Tiso Blackstar Group has developed a B-BBEE procurement policy which has been approved by the board.

SOCIO-ECONOMIC DEVELOPMENT

Ongoing investment into and development of our communities and the imperative of playing a meaningful role in the upliftment South Africa where we can.

For details refer to the Community Review on pages 36 and 37.

Community **review**

As part of our commitment to accelerating socio-economic transformation, the Group and its subsidiaries kept a good focus on social and economic development during the year under review.

Tiso Blackstar is close to its communities. We strive to play an important role in the communities, basing our community investment decisions on the principles of sustainable development, considering the needs of the community, our business objectives and the potential effectiveness of projects.

Through constant interaction on the radio stations, and through our various print titles, the needs and aspirations of our stakeholders are expressed. While we use this feedback to develop the content that will retain our audiences, it also informs our corporate social investment initiatives.

The Blackstar Foundation is an independent registered non-profit organisation focused on assisting to uplift underprivileged children, through funds received from various donors.

The Blackstar Foundation provides educational bursaries to scholars. It works closely with schools or foundations that identify children requiring financial assistance, particularly the Theo Jackson Foundation, which also functions as the intermediary between sponsor and student (refer to http://www.theojacksonfund.org.za). In addition, the Blackstar Foundation continuously communicates with its beneficiaries to ensure they receive the necessary support to perform to the best of their ability. R0.8 million was spent by the Blackstar Foundation in 2019 (2018: R0.4 million) sponsoring scholars.

As part of its commitment to youth education, Tiso Blackstar has for a number of years supported the Nal'ibali reading for enjoyment campaign that facilitates youth literacy development in South Africa. Nal'ibali (isiXhosa for "here's the story") is an initiative to spark children's potential through storytelling and reading, while fully promoting reading and writing in mother languages. Nal'ibali's print rich material includes stories, literacy activities, reading and reading club tips and support, to inspire and guide parents, caregivers, teachers, librarians and reading clubs, to make reading and storytelling meaningful, enjoyable and accessible. Nal'ibali's 16-page bilingual supplements are produced in English, Afrikaans, Setswana, Xitsonga, isiXhosa, isiZulu, Sesotho and Sepedi. Through the media partnership with Tiso Blackstar, 102,300 Nal'ibali newspaper supplements are distributed nationally in their titles – Sunday Times Express, Sowetan, The Herald and Daily Dispatch – every two weeks during term time. 54,700 supplements are also distributed free of charge directly to reading clubs, community organisations, libraries, schools and other partners in the Eastern Cape, Western Cape, Gauteng, Free State, Limpopo, North West and KwaZulu-Natal. For the past three years in partnership with Nal'ibali and United States Agency for International Development ("USAID") another 153,300 copies, per edition, have also been sent to Story Powered Schools in deeply rural KwaZulu-Natal and the Eastern Cape. While Nal'ibali pays to have these supplements printed and distributed, BHG has contributed over R16 million this year to Nal'ibali in the form of free advertisements in their newspapers and websites, as well as free editorial content. In addition 7,000 copies of the Sowetan/Nal'ibali Storybook was published and sent to Nal'ibali reading clubs and deserving communities.

BHG has also contributed more than R2.3 million worth of free advertising space to various other NGO's, supporting their respective initiatives.

Freedom of expression entails the right of the public to be informed, and to receive and impart information, ideas and opinions freely. These rights make it possible for citizens to make decisions and judgements about the society they live in; to exercise their rights and duties as citizens; and to facilitate greater understanding among people of South Africa and the world. Freedom of expression, by its nature, protects and defends other rights necessary to the functioning of a democracy where every citizen enjoys equality, human dignity and freedom.

The Media division plays a vital and indispensable role in facilitating the dissemination of information in South Africa. This requires a duty to act as a trustee for the public interest. In performing this duty, the values of the South African Constitution are upheld.

Under the Group's Editorial Policies & Code of Conduct applicable to the Media division of the Group, the Media staff pledge the following:

- to perform their duties to the highest standards of excellence and integrity;
- to provide true, accurate, fair and balanced reporting; to investigate and expose abuses of power – whether political, economic, commercial or social – with courage and with commitment to the truth. And to do so without being beholden to any interest group other than to readers and the citizens of South Africa;
- to take seriously the role as a watchdog over the people, institutions and forces that shape society and to do so on behalf of the readers and of the citizens of South Africa, especially those who otherwise would not have a voice;
- to seek diversity in the views and opinions published; and
- to uphold the South African Press Code.

SOCIAL AND ECONOMIC DEVELOPMENT AND CONTRIBUTION

The Group as a whole is committed to a policy of fair dealing and integrity in the conduct of its business. This commitment is based on a fundamental belief that business should be conducted honestly, fairly, responsibly and legally. Each sector focuses on fair labour practice which includes the protection of human rights and adheres to the Labour Relations Act. All subsidiary companies have and continually review, employment equity, sexual harassment, child labour, and health and safety policies and do not tolerate any breaches.

The Hirt & Carter Group operates within the printing and packaging sector where they contribute to economic growth by providing employment opportunities to approximately 2,000 employees within a wide range of occupational levels across various regions of South Africa.

The other large employer is the Media, Broadcast and Content division's employing approximately 1,100 employees.

A focus on learnerships, employing people with disabilities have all contributed towards societal upliftment.

DONATIONS AND CHARITABLE GIVING

Tiso Blackstar's Media sectors contribute to charitable giving in different ways. Financial and cash donations to various charities (AM Care, Shawco, The Smile and Sunflower Foundation to name a few) since June 2017 to date equates to roughly R6.6 million.

The Hirt & Carter Group supports various initiatives and schemes that greatly benefit the community through the provisions of goods, services and funding where appropriate and possible. More than 75% of the beneficiaries are black. The nature of the sponsorships and grant contributions are as follows: printing for fundraisers, stationery donations to disadvantaged schools, cash donations to the organisations caring for the underprivileged and feeding schemes.

LOOKING FORWARD

As a future strategic move for the Group, the Hirt & Carter Group is exploring, partnerships with external stakeholders to invest in disadvantaged local communities through training, development and social welfare initiatives.

Children getting their Nal'ibali supplements from the Nal'ibali TukTuk Library in Orlando West, Soweto. Picture by Daniel Born.

MATERIALITY, MATERIAL MATTERS, RISKS AND OPPORTUNITIES

- Determination of materiality
- Material risks and opportunities
- Top 5 risks
- Risk heat map
- Principal risks and uncertainties

tiso blackstar group.

Managing our risks and opportunities and what matters most

Materiality, material matters, **risks and opportunities**

Critical in the processes of creating value for stakeholders is taking risk (managing it), and maximising opportunities

DETERMINATION OF MATERIALITY

In determining which matters are material, we have considered the probability, impact and therefore the extent to which the matter affects the Group's strategy, business models or ability to create value. We have also considered, in respect of where a particular business risk arises, the size, profitability and exposure of that business relative to the Group. We consider a matter to be material when the size or nature of the matter is such that its disclosure would affect the decisions of a user of our integrated annual report. This is qualitative in nature and as such no specific financial amount has been determined.

The Group sees value over the long term as growing its operating earnings at a level above inflation while maintaining an acceptable return on invested capital above the Group's cost of capital. If this is achieved over time, all stakeholders will benefit.

MATERIAL RISKS AND OPPORTUNITIES

Tiso Blackstar operates in an environment of risk and uncertainty, particularly in the current global and local political and economic environments in which we find ourselves. Many of these risks arise due to changes in the environment in which we operate as described on pages 16 and 17.

The objective of risk and opportunity management is to ensure that the Group complies with laws and regulations, meets its stakeholder obligations and maintains ownership, quality and control over the Group's assets. It is also critical in creating value for shareholders, that we take risk to take advantage of opportunities, while managing the risk appropriately. We do this by accepting risk within parameters set by the Tiso Blackstar board and then managing this risk through a robust framework and best practice. This framework has not been changed substantially during the year, although considerable effort has been made in improving the documentation and reporting regarding this process.

Risk management is not a separate process, but integrated into the business, as illustrated in the risk management and assurance framework (see page 86). Responsibility for mitigating risks and uncertainty usually lies where the risk arises. Risk and opportunity management is supported by the Group's system of internal controls as well as its finance function, legal function, IT function, internal and external auditors and, if required, specialist advisers. The Tiso Blackstar board and Audit committee provide oversight of risk management process and the risk management and assurance framework. Material risks are identified and documented by executive management and the finance teams. During the reporting period, there were no identified unexpected risks outside of the Group's tolerance levels.

The following table summarises principal risks and uncertainties identified by the risk management and assurance framework, with an assessment of likelihood, impact and how the Group is managing these risks. The probability and impact of each risk is assessed using the following ratings:

Probability	Impact	Key
Low risk	Negligible	No change from last year
Medium risk	Significant	Increased risk
High risk	Major	Reduced risk
Extreme risk	Critical	New risk

Below are the top 5 risks that the organisation deals with – one of which shows the impact of the deteriorating macro-economic factors. Two have remained unchanged and three are likely to improve in the coming year (2020) given the expected benefits of the Transaction to the organisation.

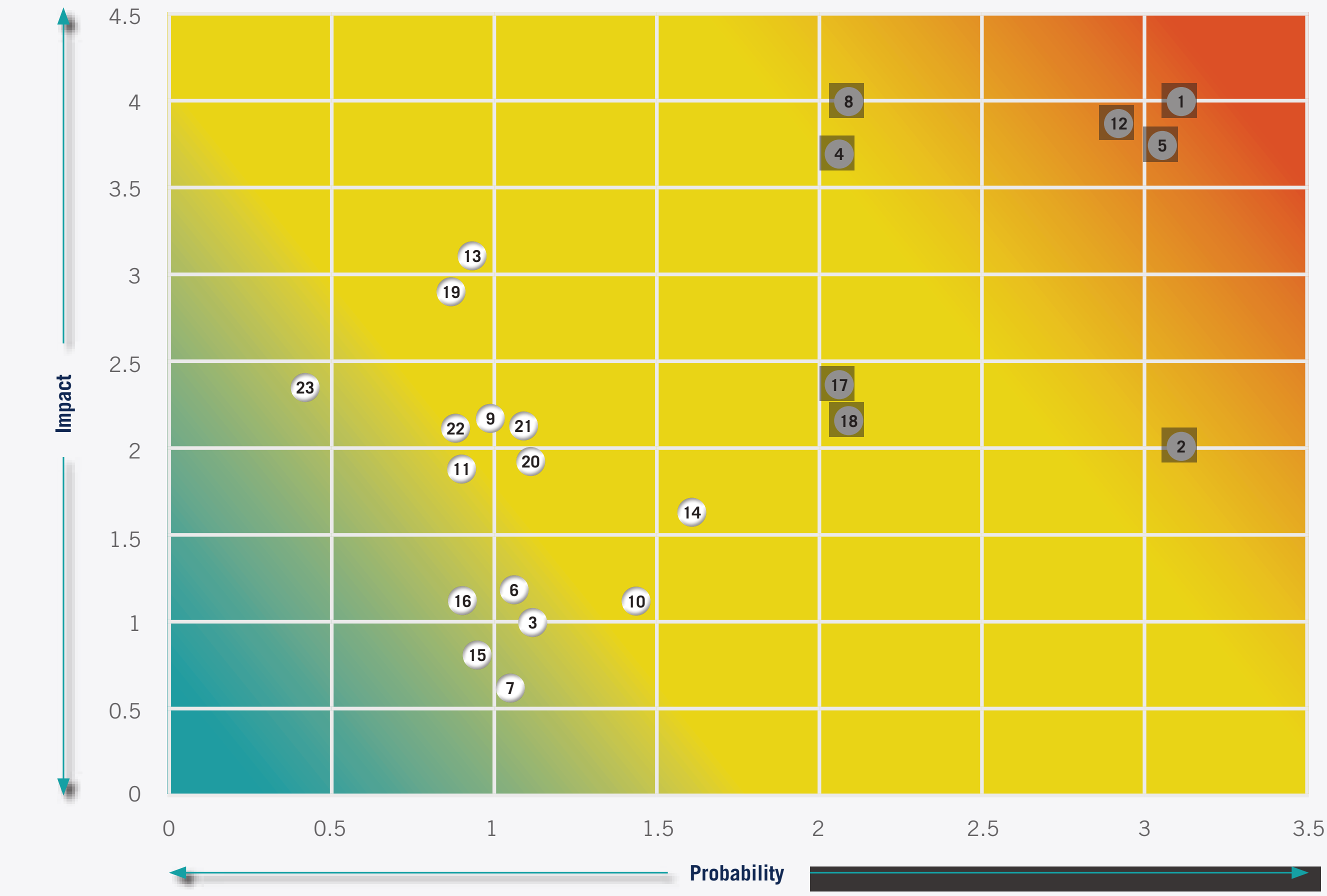
TOP 5 RISKS

CHANGE IN RATING YEAR-ON-YEAR ("Y-O-Y")

	Risk	Probability	Impact
1	Growth negatively affected by macro-economic factors	↑	↑
5	Inability to realise non-core investments	→	→
12	Liquidity risk	→ ↓ 2020	→
8	Increase in costs	↑ ↓ 2020	↑ ↓ 2020
4	Increased funding costs	↑ ↓ 2020	↑ ↓ 2020

RISK HEAT MAP

Below is Tiso Blackstar's heat map for showing all the risks for which details are provided on the pages that follow.



Materiality, material matters, **risks and opportunities** continued

PRINCIPAL RISKS AND UNCERTAINTIES

Risk	Risk and uncertainties (description)
ECONOMIC ENVIRONMENT	
1 **Growth negatively affected by macro-economic factors** ↑	Most of the Group's operations are located in South Africa, which is currently going through political instability and a low investor confidence rating. The country is subject to a very volatile Rand, low economic growth, high household debt and significant increases in household expenditure, further escalated by very high unemployment. The lower investor confidence rating has resulted in higher interest rates with a negative impact on funding costs. These factors may affect the Group negatively resulting in lower revenue from sales to customers as they in turn respond to the adverse factors by decreasing their advertising and marketing budgets, in addition to lower profitability due to increased costs.
2 **Global economy** ↑	The global economy also poses a threat to growth due to higher operating costs such as fuel, utility and import costs.
3 **Impact of Brexit** →	The Group is UK based, and therefore affected by the several economic issues which may arise on execution of interests in associates of Brexit. This risk is limited due to the fact that the Group's businesses operate in South Africa and have limited trading with European countries.
4 **Increased funding costs** ↓ 2020*	During the current reporting period, the benchmark repo rate was both hiked by 25 basis points to 6.75% and cut by 25 basis points to 6.5%. This was the first repo rate cut since March 2018 despite concerns of economic growth and subdued investor confidence. As indicated by policymakers, this cut further confirms their focus of keeping inflation expectations close to the mid-point of the inflation target. The stability of inflation bodes well for the group in maintaining sustainable funding costs. The customer will benefit from the rate cut, leading to possible improved consumer spending.
CAPITAL MANAGEMENT	
5 **Inability to realise non-core investments** →	The Group was not successful in realising its 47.6% investment in Robor. This had a negative impact on the Group's ability to settle debt, resulting in higher financing costs. There is also a risk that the disposal of non-core businesses may result in a reduction in equity value for shareholders. This also negatively impacted the Group's ability to take advantage of more lucrative opportunities resulting in missed revenue and profits for shareholders. The Group has changed its strategy to realise its 20.1% interest in Kagiso Tiso Holdings over a longer period in order to exit at the right price. There is a risk that the strategy might not be successful.
6 **Investment underperformance** ✥	There is a risk that new investments may not yield expected returns and fully align with current operations or business strategy.

* *Majority of the Transaction purchase consideration will be used to reduce Group debt to appropriate levels.*

PRINCIPAL RISKS AND UNCERTAINTIES

	Probability	Impact	Mitigation	Link to strategic priority
			• Engage cost control measures • Quality content and products to retain consumers and customers • Focused strategic priorities to grow revenue organically • Continuous focus on brand improvement • Continuous business review by the board for timeous identification and mitigation of further risk • Diversification of client base	AUDIENCE AND CUSTOMER DELIVERY; FINANCIAL STRENGTH; ORGANIC GROWTH
			• Focus on cost control • Continuous business review by the board for timeous identification and mitigation of further risk	FINANCIAL STRENGTH; ORGANIC GROWTH
			• Continuous business review by the board for timeous identification and mitigation of further risk	FINANCIAL STRENGTH; ORGANIC GROWTH
			• Focused debt reduction processes • Strict treasury management and debt restructures for better pricing and terms • *Majority of the Transaction purchase consideration will be used to reduce Group debt to appropriate levels	FINANCIAL STRENGTH; ORGANIC GROWTH
			• Continuous monitoring of non-core businesses to ensure a good return on investment. • Consider all stakeholders when considering disposal opportunities with an emphasis on maximising shareholder value • Robust evaluation of all opportunities, detailed due diligence and performance monitoring • Focus on a strategy to successfully realise the non-core investments	FINANCIAL STRENGTH; INORGANIC GROWTH
			• Robust evaluation of all opportunities, detailed due diligence of both financial and non-financial attributes. • Continuous monitoring of all investments to ensure a good return on investment	FINANCIAL STRENGTH; INORGANIC GROWTH

Materiality, material matters, **risks and opportunities** continued

PRINCIPAL RISKS AND UNCERTAINTIES

Risk	Risk and uncertainties (description)
OPERATIONS	
7 **Loss of customers** ➡	The loss of a customer could result in lower revenue if not replaced by other clients.
8 **Increase in costs** ⬇ 2020*	An increase in costs could negatively impact the Group's profitability.
9 **Fire and natural disasters** ➡	The printing operations use a lot of flammable materials such as paper and ink. There is a risk that operations could be disrupted by a fire at the factory. Similarly disruption caused in the event of fires, storms or floods.
10 **Utilities** ➡	Non-performance of suppliers of utilities resulting in interrupted supply of water, gas and electricity.
11 **Loss of critical suppliers**	There is a risk that operations at any of the sites may be disrupted due to loss of critical suppliers.
FINANCIAL	
12 **Liquidity risk** ⬇ 2020*	The Group operates in a cash intensive business which poses the risk that the Group might not be able to generate sufficient cash flows to continue with operations or settle obligations as they fall due.

** Reduction in risk post the Transaction.*

PRINCIPAL RISKS AND UNCERTAINTIES

	Probability	Impact	Mitigation	Link to strategic priority
			• Delivery of quality products and services and building and maintaining relationships • Focus on growing the client base	AUDIENCE AND CUSTOMER DELIVERY BENEFICIARY DELIVERY ORGANIC GROWTH INORGANIC GROWTH
			• Robust and regular review of supplier relationships, terms and prices • *Head office costs reduction post the Transaction (people, rental, interest)	FINANCIAL STRENGTH ORGANIC GROWTH
			• SABS approved sprinkler system installed • Business continuity plan • Installation of additional fire extinguishers • Timeous servicing and testing of fire equipment • Performance of evacuation drills • Health and safety committee is in place • Adequate insurance	ORGANIC GROWTH
			• Use of generators or solar power systems • Use of borehole water	ORGANIC GROWTH
			• Establish relationships with a wide range to suppliers to ensure continuous and uninterrupted supply of raw materials and services	ORGANIC GROWTH
			• Engage in annual budgeting process • Weekly cash-flow and working capital management • Review of monthly management account • Resourced with qualified and experienced employees to manage operations including costs and cash flows and the right finance team to report efficiently and timeously on performance and cash flow management • Continuous monitoring of treasury policies • Sufficient working capital and overdraft facilities • Reduction in risk post the Transaction	FINANCIAL STRENGTH ORGANIC GROWTH

Materiality, material matters, **risks and opportunities** continued

PRINCIPAL RISKS AND UNCERTAINTIES

Risk	Risk and uncertainties (description)
FINANCIAL continued	
13 **Credit risk** ➡	The Group has significant trade debtor balances with collection terms ranging from 30 to 90 days. In some instances costs are incurred on behalf of client either as agent or principal, and should the client not settle timeously, the Group may be liable to settle the said obligations as they fall due. This exposes the Group to credit risk.
14 **Fraud risk** ➡	Just like any other business, the Group is exposed to the risk of fraud due to a weak control environment.
15 **Currency risk** ⬇	The Group has operations and investments in the United Kingdom and South Africa, and currency volatility therefore poses a risk to the Group.
16 **Changes in IFRS reporting standards** ➡	The introduction of the new accounting standards namely IFRS 9, IFRS 15 and IFRS 16 poses the risk of non-compliance with international accounting standards.
17 **Failure to meet B-BBEE targets** ⬆	The Group faces risk of employment equity challenges at senior management level leading to missing B-BBEE targets. There is a possibility of changes in the B-BBEE legislation which could make it difficult to meet the requirements. (eg entities in which trusts are a part of the ownership structure may no longer be taken into account in assessing black ownership).
HUMAN RESOURCES	
18 **Succession planning** ➡	The Group is at risk of losing key individuals who have key client relationships, experience and knowledge of Group intellectual property and loyal customers. This could lead to lost revenue or lower quality product and service There is a limited pool of suitably qualified, experienced and trained professional employees which may lead to poor quality servicing of clients.
REGULATORY AND TAX ENVIRONMENT	
19 **Contravention of laws** ➡	The Group operates in South Africa and the UK, and both countries have broad legislative landscapes. Any non-compliance or contravention of laws may result in the Group having to pay penalties. The Group is subject to a strict anti-bribery and anti-corruption legislation under the UK law.
20 **Adverse tax environment** ➡	Changes in the South African and UK tax legislation and the fact that the Group is subject to tax legislation in both countries, both increase the risk of non-compliance.

PRINCIPAL RISKS AND UNCERTAINTIES

Probability	Impact	Mitigation	Link to strategic priority
		• Continuous evaluation of client's creditworthiness • Continuous monitoring of treasury and working capital management policies • Risk somewhat reduced by the Transaction • Credit guarantees	FINANCIAL STRENGTH ORGANIC GROWTH
		• Continuous monitoring through internal audit function • Annual external audits • Fostering a strong control environment through implementation of internal controls • Code of conduct and ethics policy	PEOPLE ORGANIC GROWTH
		• Continuous monitoring of treasury and working capital management policies	FINANCIAL STRENGTH
		• Experienced and qualified finance team • Strong network of external assurance parties (auditors and advisors) • Provision of training on new IFRS standards	FINANCIAL STRENGTH ORGANIC GROWTH
		• Focused employment equity plan • Focus on creating integrated and robust talent growth opportunities • Focus on diversity and inclusion • Develop a talent management strategy	FINANCIAL STRENGTH PEOPLE
		• Employee retention through appropriate remuneration structures • Succession planning • Performance driven culture • Identification and development of talent • Significant investment in staff training and development • Forfeitable Share Plan to encourage staff retention	PEOPLE ORGANIC GROWTH
		• Executives are qualified, experienced and trained • Advisors are retained for up-to-date, practical input on compliance, tax, legal and regulatory changes • Legislative compliance is continually reviewed by each business and the board • Adoption of Anti-Bribery policy	GOVERNANCE AND COMPLIANCE
		• Executives are qualified, experienced and trained • Advisors are retained for up-to-date, practical input on compliance, tax, legal and regulatory changes • Legislative compliance is continually reviewed by each business and the board	GOVERNANCE AND COMPLIANCE FINANCIAL STRENGTH

Materiality, material matters, **risks and opportunities** continued

PRINCIPAL RISKS AND UNCERTAINTIES

Risk	Risk and uncertainties (description)
IT AND INFORMATION INFRASTRUCTURE	
21 **Cyber-attacks**	Cyber-attacks or theft of IT and information infrastructure could result in the Group being unable to operate, deliver its products or services or be liable for losses and be in contribution of protection of information requirements.
22 **Change in systems**	Changes in systems and software and automation of functions may cause interruptions in operation that can lead to financial loss.
23 **Poor backup solutions**	Certain systems within the Group have limited backup solutions which may lead to data loss and negatively affect business continuity.

PRINCIPAL RISKS AND UNCERTAINTIES

	Probability	Impact	Mitigation	Link to strategic priority
			• Resilient IT infrastructure • Testing and control • Focus on the IT Steering committees	GOVERNANCE AND COMPLIANCE
			• Adequate planning for system changes • Appointment of implementation team to plan and execute the change over from one system to another • Testing of new systems before going "live"	GOVERNANCE AND COMPLIANCE; FINANCIAL STRENGTH
			• New backup solution budgeted for which will mitigate current risks and address the existing issues experienced in the current backup and disaster recovery solutions	GOVERNANCE AND COMPLIANCE; FINANCIAL STRENGTH

HIRT & CARTER GROUP

- Overview
- Business model
- Strategic report
  – Highlights and financial review

tiso blackstar group.

Our business overview and strategy

vision

Our vision is to be the leader in creating bespoke, engaging communication and experiences, between consumers, and brands, that builds awareness, equity, sales & loyalty.

Overview

The Hirt & Carter Group holds a portfolio of industry leading businesses, which provide cutting-edge retail and brand communication solutions across multiple print and digital media channels.

The Hirt & Carter Group is active from ideation to final distribution and adds value at every stage of the production process. Through in-depth market research, insightful trend monitoring, state-of-the-art technology and streamlined systems, the Group offers end-to-end marketing solutions.

HIRT & CARTER GROUP

The Hirt & Carter Group has established itself as a leading integrator of multi-channel marketing and communication solutions. Our blend of strategic partnerships, creativity, cutting-edge print technology and industry innovation has allowed the group to streamline workflow and reduce costs and thereby enabling advertisers, brands and marketers to effectively converse with both South African and global markets.

The group delivers a holistic and innovative range of products and services that deliver real value and meaningful ROI for clients in the retail market:

- Ideation and conceptualisation in strategy and design;
- Retail insights and shopper marketing;
- Store layout, infrastructure and signage;
- Point of sale (POS), instore display and packaging design, print and manufacture;
- Variable printing for transactional forms, ballots and labels;
- Digital solutions, development and hosting, social media; and
- Brand asset management, tracking, retail data, analytics.

Hirt & Carter Print

With its sophisticated production capacity, Hirt & Carter Print offers a wide range of print capabilities, including instore POS and marketing collateral. They offer digital and commercial print across various substrates along with advanced finishing capabilities.

Hirt & Carter Software Solutions

A purely B2B business that provides clients with retail data and insight. Their proprietary Retail Management Systems (RMS) is a fully integrated, retail marketing solution that acts as a workflow management tool. Being able to integrate into customers' backend systems, it ensures a consistent flow of data, streamlined work processes and in-depth reporting.

Hive Connect

Provides technology solutions that engage with consumers. This includes mobile gaming platforms and smart packaging solutions that allow consumers to digitally engage with packaging.

Bothma Branding Solutions

Provides exclusive branding and signage solutions for a variety of retail spaces including internal and external, formal and informal. They also offer customised solutions, brand applications, event and exhibition services.

Paton Tupper

A full-service ideation, strategy and design agency that focuses mainly on FMCG packaging and BTL solutions. They have partnered with some of the biggest brands in both local and global markets for over 50 years. The digital arm, Paton Tupper Digital, delivers tailor-made digital solutions from web, platform and app development, through to the building of online brand communities.

Uniprint

Offers comprehensive print solutions, exceptional products and unmatched customer service in transactional forms and election ballot printing. Established in 1926, they have decades of experience in printing and their processes are formalised and ratified by way of global accreditations (ISO, FSC®, PrintSecure).

Silo

South Africa's leading digital brand content provider and repository of unified retail intelligence, retail analytics and product analytics. Offering brand asset management, they provide a single solution for product sourcing, photography, image production, post production and data capture. They also host and distribute these content assets across industry channels.

Triumph Packaging

One of South Africa's leading folding cartons and packaging manufacturers. Their offering includes the full-service production of all packaging requirements, from conceptualisation and design through to printing and manufacturing. Formalised and ratified by way of global accreditations.

First Impression

Specialises in high-quality digital and flexographic printing for Shrink-sleeve, Wraparound, Roll-Fed and Self-adhesive label solutions.

Business **model**

INPUTS (what we need)

FINANCIAL CAPITAL
- Revenue
- Equity capital
- Debt capital
- Facilities

MANUFACTURED CAPITAL
- Leased properties
- Plant and equipment
- Trademarks and patents
- Software
- Enabling operating systems
- Distribution network

HUMAN CAPITAL
- Skilled marketing professionals
- Learnerships
- Appropriate skills
- Specialised knowledge and skills
- Appropriate training
- Ethical
- Skilled board

SOCIAL AND RELATIONSHIP CAPITAL
- Community
- Customers
- Suppliers

INTELLECTUAL CAPITAL
- Brands
- Processes
- Innovation
- Systems
- Procedures
- Innovative thinking
- Ability to adapt
- Use of technology

NATURAL CAPITAL
- Locations
- Energy consumption
- Water consumption

ACTIVITIES (what we do)

There is a balanced approach between central control and decentralised management. Costs at the centre are minimised so that costs are managed against income generation. Capital investment, finance, audit, budgeting and tax are centrally managed. Marketing, IT, Risk management, HR and training, facilities management are driven at divisional level with central oversight and reporting.

CORPORATE PROCESSES
- Strategy, capital and resource allocation, budgeting and cash management
- Reporting, risk management, compliance, legal, secretarial
- Oversight, management and sales process of non-core asset

Hirt & Carter Group deliver innovative products and solutions to our market

ideas

Conceptualisation and design
Informed by our ongoing research, **we bring innovative brand strategies to life by creating world-class designs**. These are implemented across a range of channels incorporating retail display solutions, innovative packaging, in-store signage projects and in-store brand campaigns. The idea services are, graphic design, shopper marketing, retail activation, category re-invention, creative activation, store design, packaging design, brand activation and digital solutions.

Brands

technology

Our software capabilities allow us to provide **an integrated, centralised retail management and communication platform** for everyone involved in the production of advertising, retail and social media material. This streamlines the retail workflow process; optimising briefing and checking whilst reducing the error rate. Being an enabler of innovative technology, our digital gurus then create immersive customer experiences and seamless business solutions. The technology services are retail systems, store audit, Ibeacons, QR codes, NFC, VM software, POS tracker, integrated media, web and mobi site development, Facebook apps, social media content creation and digital community management.

Brands

print

Our cutting-edge print technology allows us to create **ground-breaking retail solutions** that bring our customers' visions to life. Having one of the largest and most varied print capacities in the southern hemisphere, we drive the highest return on investment for our clients. The Print services are Store design and infrastructure, lithographic, digital and silkscreen printing, variable printing, pop, instore and displays, standard and illuminated signage, events and promotional items, forms and labels packaging, window displays and stencilling and logistics.

Brands

OUTPUTS (what we produce)

We create value by owning market-leading assets, operating them efficiently and entrepreneurially.

HIRT & CARTER GROUP

Innovative marketing products and solutions, which help customers simplify their business processes, build brand awareness and sell more products.

Products and services

- Label and packaging design
- Retail store design
- Retail theatre
- Digital marketing campaigns
- Brand activation campaigns
- Product content management and metadata
- Retail management and process improvement software
- Point-of-sale marketing material
- Leaflets, labels, folding cartons, forms
- Formal and informal retail signage
- Consumer engagement platforms
- E-commerce consulting.

Creating

- Concept development
- Artwork origination
- General graphic design
- 3D design & animation
- Structural design & prototyping
- 3D printing
- DTP (finished art)

Strategising

- Shopper strategy, market research and trade insight (trade, trend & innovation reports)
- Trade reference library
- Promotional tracking
- Store auditing

Delivering

- 360º campaign concepts
- Retail display solutions
- Promotional items
- Store design
- Visual merchandising
- Packaging
- Special projects

Resources

- Brand Content Management
- Styled Photography
- Stock Photography
- Managed Images
- Metadata Solutions

data

As **South Africa's leading brand content provider**, we deliver a centralised, reliable source of all industry-related product images, data and analytics. Not only are we the largest digital FMCG image and brand content library, we are also the ultimate source of retail intelligence and retail analytics in the country. The Data services are brand portal, retail data & imagery services, stock and styled photography, promotional analytics (das/price probe), product catalogues, press office, image & content management and distribution across multiple channels.

Brands

OUTCOMES

(how we link them to our strategic priorities)

FINANCIAL STRENGTH

Financial strength will be achieved through implementation of a hands on approach whereby management guides the business in an evolving media and consumer landscape.

PEOPLE

Focus on creating a dynamic, experienced management team with entrepreneurial flair and strong focus on growth ensures the business is operationally strong and well-positioned to capitalise on opportunities in local and global markets.

AUDIENCE AND CUSTOMER DELIVERY

Focus on innovation: ensure we are thought leaders through innovation, local and global research and employing the right skills to deliver value to customers.

Investing in technology: investing in leading digital technology across all business units to deliver the best solutions possible.

Understand our customer's strategy: ensure we can match our technology and people investment to our customer requirements by understanding their market needs.

GOVERNANCE AND COMPLIANCE

Focus on ensuring the Group has no instances of non-compliance with laws and regulations through close interaction with experts and maintaining a strong control environment.

The board ensures that the Group is governed in terms of King IV™ and with the highest levels of ethical conduct.

GROWTH

Continuous focus on both organic and inorganic growth by looking for opportunities to enhance our collective offering in the market to benefit our customers.

Strategic **report**

HIGHLIGHTS AND FINANCIAL REVIEW

HIGHLIGHTS

HIRT & CARTER GROUP

Topline growth in turnover

↑ 17.5%

to R2,246.4 million

Trading Performance

↓ 3.2%

to R286.0 million

- **Consolidation of Durban-based operations into a single new facility in Cornubia**
- **All divisions grew turnover with exception of Packaging – now restructured with market focus adjustment to create sustainable future**
- **Acquisition of First Impression Labels**
- **Overall growth in customer base and product range and service offering**
- **Focus on growing customer base and utilising cross selling opportunities**
- **Stable Trading Performance despite impact on operating activities of relocation to new site**

HIRT & CARTER GROUP

The Hirt & Carter business continues to grow market share and operates in a diverse SA market. It is focussed on growing its products and services into the continent and other global markets due to its diverse offering.

Refer Executive Summary pages 19 to 22.

Hirt & Carter Group has followed a diversification strategy over the past 5 years.

STRATEGIC OUTCOMES

Hirt & Carter Group has followed a diversification strategy over the past 5 years. This has included:

- bulking up the labels business through the acquisition of FIL;
- adding packaging through the acquisition of Triumph; and
- adding and developing marketing/branding services through Silo, Paton Tupper, Hive and BBS.

The result is a more diversified business with growing contributions from new businesses and 'new tech' digital and service businesses.

A review undertaken to compare key performance indicators for the Hirt & Carter Group against similar businesses in SA for the 5 year period 2014 to 2018 highlights the effectiveness of the strategy.

Within the Hirt & Carter Group, Labels, Packaging, Forms and Hirt & Carter remain focused on operational improvements underpinned by cross-selling and integration initiatives.

The rest of the Group's emphasis was in growth initiatives with a focus on product development and operational efficiencies.

Identified as the enablers of the Hirt & Carter Group's strategy are key strengths to maximise the opportunities going forward:

CORE STRENGTHS

- Profitable sales growth
- Strong customer focus
- Unique range of products and services
- Retail understanding
- Entrepreneurial management team
- Unique software

STRATEGIC OPPORTUNITIES – 2020 ONWARDS

- Continue to broaden our customer footprint
- Grow our software offering locally and offshore
- Use our technology platforms to improve service delivery to our customers
- Further leverage our print/digital understanding to offer new solutions to the market

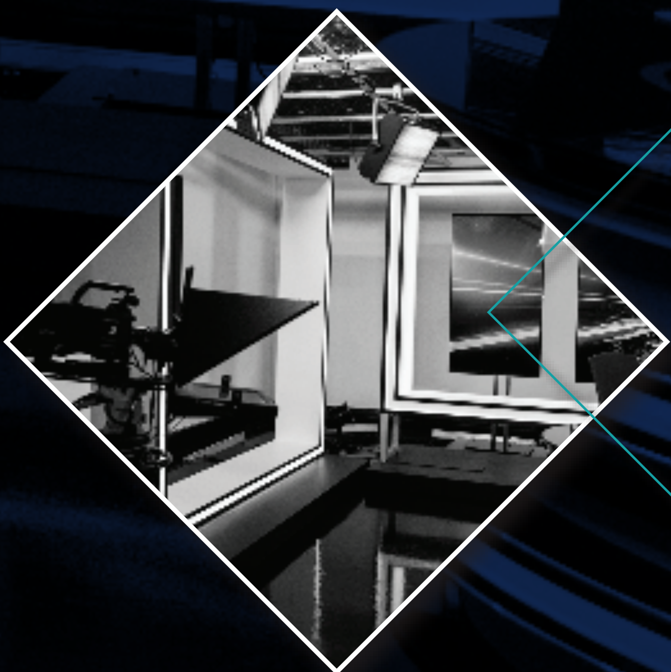
A challenge experienced by the Hirt & Carter Group in particular is margin squeeze because of the tough market conditions – mainly due to the inability to pass on some input cost increases to customers.

Refer Executive summary pages 19 to 22.
Refer Financial review pages 23 to 25.
Refer trends in the retail sector page 17.

THE TRANSACTION

- Details of the Transaction
- Business model
- Overview of the businesses included in the Transaction
- Strategic report
  – Highlights and financial review

tiso blackstar group.



Details of the **Transaction**

UNLOCKING SIGNIFICANT VALUE WITH THE SALE OF THE MEDIA, BROADCAST AND CONTENT BUSINESSES

The board is of the view that the Transaction is in line with Tiso Blackstar's strategy and believes the sale will unlock significant value for its shareholders while also ensuring that the media business has a strong and committed shareholder in Lebashe to take it forward.

INTRODUCTION

On 27 June 2019 Tiso Blackstar announced that it signed an agreement for the disposal of certain of its South African media, broadcasting and content businesses (excluding the Gallo businesses, catalogue of indigenous films and its South African radio assets) ("TBG SA Group") to Lebashe for a purchase consideration of R800.0 million, subject to certain adjustments. In July 2019 the Company also formalised the agreements to dispose of its media, broadcasting and content businesses in Ghana, Nigeria and Kenya ("Africa Radio" or "Africa Associates") and its South African radio assets ("SA Radio") to Lebashe for R200.0 million and R50.0 million respectively. The total purchase consideration in respect of the Transaction is R1,050.0 million, subject to certain adjustments.

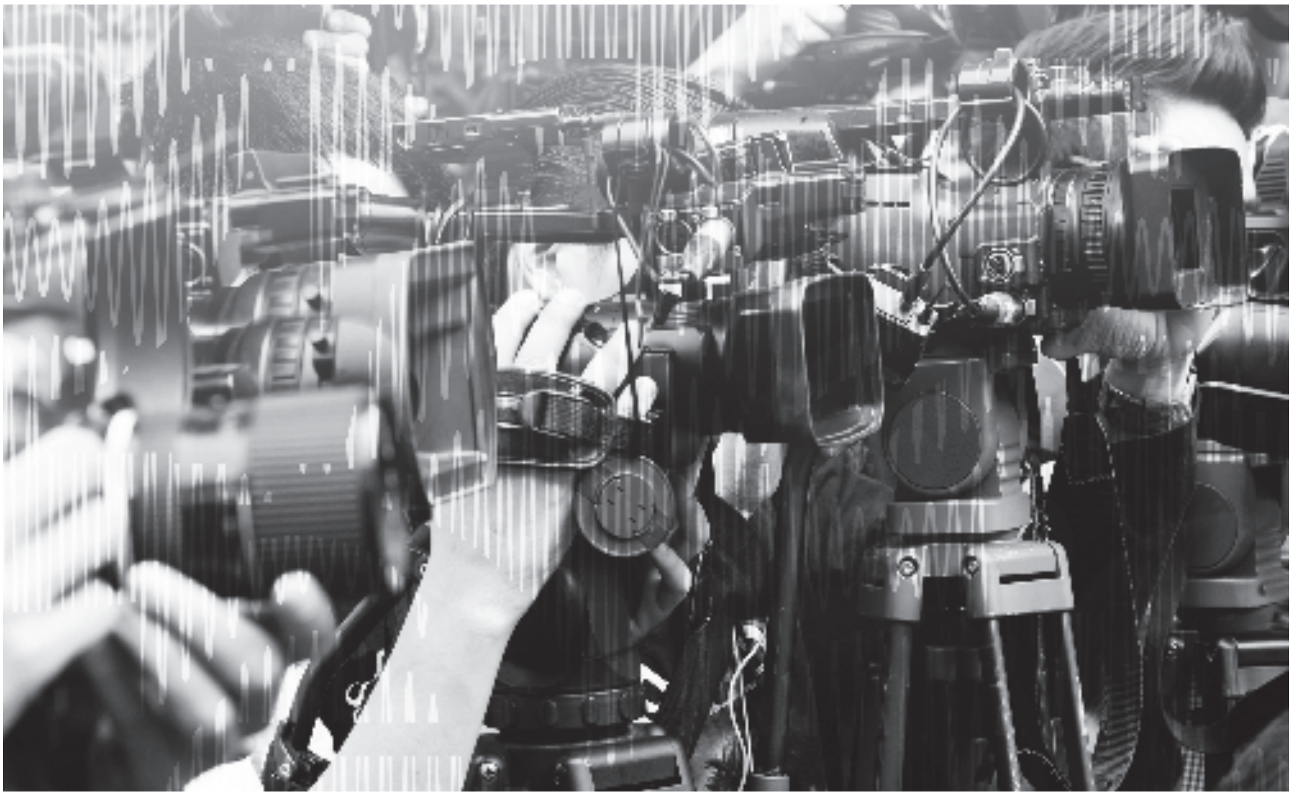
A circular detailing the Transaction as well as some other matters was distributed to shareholders on 20 September 2019 and at the Extraordinary General Meeting of shareholders held on 23 October 2019 the Transaction was approved. The Circular can be viewed on Tiso Blackstar's webpage **www.tisoblackstar.com/tbg/investors/publications**.

RATIONALE FOR THE TRANSACTION

The board is of the view that the Transaction is in line with Tiso Blackstar's strategy and believes the sale will unlock significant value for its shareholders while also ensuring that the media business has a strong and committed shareholder in Lebashe to take it forward.

The Transaction will allow Tiso Blackstar to focus on its remaining businesses and investments, specifically the Hirt & Carter Group which has grown significantly in recent years and operates in a unique market segment. The Group will retain the Gallo Music Group businesses (for which Lebashe has a first right of refusal) and develop it further as the music industry continues to evolve, as well as the catalogue of indigenous films.

Refer Executive summary pages 19 to 22.
Refer Financial review pages 23 to 25.



Details of the **Transaction** continued

As noted in the Circular, the Transaction is implemented as follows:

A The Restructure

The Transaction requires an internal restructuring ("Restructuring") to be implemented as a first step, in terms of an implementation agreement ("Restructuring Agreement"). The Restructuring will constitute Tiso Blackstar Group's existing interests in its broadcasting, content and media businesses in South Africa, Ghana, Nigeria and Kenya in separate legal entities which are capable of being disposed of to Lebashe under the Transaction. The Restructuring relating to the TBG SA Group was completed by 5 November 2019 with remaining steps for the Africa Radio and SA Radio sales to be finalised in November 2019.

B Sale of TBG SA Group

TBG SA Group comprise –

- the Media segment, which owns and operates various premier national, regional and community newspapers, magazines and digital publications in consumer, business and specialist fields; and
- some of the Broadcast & Content segment, which comprise certain business divisions which operate in the creation of media content and the sale of content for broadcasting thereof through the means of television and film.

In terms of the agreement, BHG sold all of the equity and claims in TBG to Lebashe for a purchase consideration of R800.0 million adjusted for debt, cash and normalised working capital, and any movement in tangible net asset value. The effective date of this sale was 5 November 2019.

C Sale of Africa Radio

It is anticipated that the disposal of Africa Radio will entail a sale by Tiso Blackstar Holdings of 100% of its shares in and claims against Africa Investment Holdings Limited for consideration of R200.0 million to Lebashe, which, in turn, enables Lebashe to acquire Tiso Blackstar Holdings' ("TBHSE") interests in each of Tiso Blackstar Group's African radio assets in Nigeria, Ghana and Kenya, comprising 24.5% of the shares in Coopers Nigeria, 32.2% of the shares in Multimedia Ghana and 49% of the shares in Radio Africa Kenya.

The Africa Radio Sale results in a disposal of the entire Africa (excluding South Africa) segment of the Group.

The sale of Africa Radio is expected to conclude in December 2019.

D Sale of SA Radio

In terms of the agreement, BHG will sell 100% of the issued share capital in Rise Broadcast and Vuma for an amount of R50.0 million to Lebashe.

Rise Broadcast and Vuma form part of the Broadcast & Content segment.

The sale of SA Radio is expected to conclude in April 2020.

PURCHASE CONSIDERATION AND APPLICATION

In accordance with the TBG SA Group sale agreement, a portion of the R800.0 million purchase consideration was utilised to settle in full debt and bank overdrafts held by TBG.

Proceeds from the sale of TBG SA Group were used to fully settle the debt relating to the KTH acquisition, to reduce any bank overdrafts held by the remaining Group, and to reduce debt held by Hirt & Carter Group to appropriate levels. Proceeds from the disposal of Africa Radio and SA Radio will also be used to reduce Hirt & Carter Group borrowings even further.

TIMING

The Transaction is in the final stages of completion with the disposal of TBG SA Group effective 5 November 2019, and the sale of Africa Radio expected to be successfully concluded in December 2019.

It is anticipated that the SA Radio sale will be completed and proceeds of R50.0 million received in April 2020 once the sale has been unconditionally approved by ICASA in terms of section 13 of the Electronic Communications Act, No. 36 of 2005.

CATEGORISATION OF THE TRANSACTION

As the value of the Transaction Purchase Consideration exceeds 30% of Tiso Blackstar's market capitalisation, the Transaction qualifies as a category 1 transaction, as contemplated in terms of section 9 of the JSE Listings Requirements. As a result, the General Meeting was convened on 23 October 2019 and the requisite approval from Shareholders was obtained. Lebashe is not a related party to the Company and there are, accordingly, no related party transaction implications in terms of the JSE Listings Requirements.

The TBG SA Group sales agreement provides for representations, warranties, indemnities, and liability limitations that are normal for a transaction of this nature.

Another significant term of the agreements is that for a period of two years, there is an undertaking not to compete with businesses, observe restraints, non-solicitation and confidentiality provisions that are normal for transactions of this nature.

IMPACT ON TISO BLACKSTAR'S FINANCIAL REPORTING

The Transaction is a fundamental input in the preparation of the annual financial statements for the current reporting period impacting the valuation of the assets and liabilities identified for sale with reference to the sales agreements in accordance with IFRS 5. The Transaction has also been taken into consideration in the detailed review of the Group's liquidity and solvency position at the reporting date taking into account all possible future cash flows and scenarios (refer to note 41).

The Media, Broadcast and Content disposal groups (comprising TBG SA Group and SA Radio), and the African Associates (Africa Radio) have been classified and presented as non-current assets held for sale and discontinued operations at 30 June 2019 in terms of IFRS 5. In accordance with IFRS 5, profit and loss for the comparative year ended 30 June 2018 has been reclassified, to reflect Media, Broadcast and Content disposal groups, and the African Associates as discontinued operations.

IMPACT ON TISO BLACKSTAR'S FORFEITABLE SHARE PLAN

As a result of the Transaction, the Tiso Blackstar Remuneration committee have cancelled the existing long term incentive scheme FSP as the majority of participants are employed by the businesses being disposed of in the Transaction, thereby making it inefficient to continue a complex long term incentive scheme. Furthermore, the Tiso Blackstar Group will have been restructured and changed considerably post implementation of the Transaction. The Forfeitable Share Plan rules empower the Remuneration committee to terminate the FSP at any time without the need for shareholder approval but states that the Forfeitable Share Awards made before such termination will continue to be valid and will vest in accordance with the Forfeitable Share Plan rules. The FSP cancellation and manner in which participants employed by TBG SA Group exit the scheme was communicated to shareholders in the circular to shareholders and all relating resolutions were approved at the extraordinary meeting of shareholders held on 23 October 2019. For more details refer to the Remuneration report on page 100.

Business **model**

INPUTS (what is needed)

FINANCIAL CAPITAL
- Revenue streams
- Equity capital
- Debt capital

MANUFACTURED CAPITAL
- Plant and equipment
- Enabling operating systems
- Distribution network

HUMAN CAPITAL
- Appropriate skills
- Specialised knowledge and skills
- Appropriate training
- Ethical

SOCIAL AND RELATIONSHIP CAPITAL
- Audience (reader, listener, viewer)
- Community
- Customers
- Suppliers
- Unbiased, balanced and fair reporting
- Watchdog
- Entertainment

INTELLECTUAL CAPITAL
- Brands
- Processes
- Innovation
- Systems
- Procedures

NATURAL CAPITAL
- Locations
- Energy consumption
- Water consumption

ACTIVITIES (what is done)

There is a balanced approach between central control and decentralised management. Costs at the centre are minimised so that costs are managed against income generation. Capital investment, finance, audit, budgeting and tax are centrally managed. Marketing, IT, Risk management, HR and training, facilities management are driven at divisional level with central oversight and reporting.

CORPORATE PROCESSES
- Strategy, capital and resource allocation, budgeting and cash management
- Reporting, risk management, compliance, legal, secretarial
- Oversight, management and sales process of non-core assets

Media

Media deliver premium, influential content through market-leading media assets:
- Write, acquire, create, edit and curate written and video content
- Publish content for distribution on digital and print platforms
- Distribute content digitally through creation and maintenance of websites and apps.
- Distribute content physically by printing the product (largely outsourced except in the Eastern Cape) and distributed through owned or managed networks to retailer or direct to consumer.
- Sell advertising in print and digital publications
- Create, developing, market, sell sponsorship, sell tickets and host events across the business, finance, marketing and lifestyle sectors to leveraging key media brands

Broadcast and Content
(including non-South African associates)

Leading positions in lifestyle, business and motoring TV channels, TV production, film distribution.
- Acquire and/or manage distribution rights from international film producers and sell to cinemas, pay TV broadcasters, free to air TV and video on demand platforms
- Produce South African films and sell distribution rights internationally and locally
- Acquire, edit, produce a linear TV channel programme and broadcast over TV network including selling advertising on these
- Produce and broadcast radio content including talk, music, local news and community related information

OUTPUTS (what is produced)

Media

Quality content that informs, entertains and positively influences the readers.

Distributed digitally on the internet or physically through printed product distributed directly to subscribers' addresses or retailers through owned and managed networks.

- 4 daily newspapers
- 4 weekend newspapers
- Multiple newspaper insert titles
- Multiple weekly and monthly magazine titles
- 18 daily digital websites

Broadcast and Content
(including non-South African associates)

Quality content that informs, entertains and positively influences the listeners and viewers.

Distributed through satellite broadcast, radio masts and internet directly to listeners and viewers.

- 3 24/7/365 TV channels broadcast via pay TV satellite
- 2 24/7/365 radio stations
- Provision of digital movie files to customers

OUTCOMES
(how outcomes are linked to the strategic priorities)

FINANCIAL STRENGTH
Financial strength will be achieved through a hands on approach from management to guide the business in an evolving media, landscape.

PEOPLE
Focus on creating a dynamic, experienced management team with entrepreneurial flair and strong focus on growth ensures the business is operationally strong and well-positioned to capitalise on opportunities in local and global markets.

AUDIENCE AND CUSTOMER DELIVERY
Focus on custom specialist titles and supplements for subscribers to support sustainable revenue growth

Focus on innovation: ensure thought leadership through innovation, local and global research and employing the right skills to deliver value to customers

Investing in technology: investing in leading digital technology across all business units to deliver the best solutions possible

Understand the customer's strategy: matching technology and people investment to customer requirements by understanding their market needs

GOVERNANCE AND COMPLIANCE
Focus on ensuring there are no instances of non-compliance with laws and regulations through close interaction with experts and maintaining a strong control environment.

GROWTH
Continuous focus on both organic and inorganic growth by looking for opportunities to enhance the collective offering in the market to benefit customers.

Overview of the businesses **included in the Transaction**

MEDIA

A premier newspaper, magazine and digital publisher and home to some of the most recognised brands in Africa.

MEDIA

Sunday Times, TimesLIVE, ARCHSA Architecture South Africa, DIGEST of South African Architecture, Wanted, BusinessLIVE, THE EDIT, WeekendPost, SowetanLIVE, HeraldLIVE, BusinessDay, DispatchLIVE, The Herald, RAND DAILY MAIL, RDM.CO.ZA, Sunday World, The South African Schools Collection, Sowetan, Daily Dispatch, mims, South African Home Owner, SA Mining, S Magazine, Daily Dispatch Weekend Edition, TshisaLIVE, financialmail, BankerSA, khuluma

AFRICA ASSOCIATES

Multimedia Ghana
(32.2% owned)

Radio Africa Kenya
(49% owned)

Coopers Nigeria
(24.5% directly owned, effective 36.5% shareholding)

TELEVISION

Kiss Television, Bamba, MultiTV

RADIO

Radio Jambo, Kiss FM 100.3, Classic 105, Adom 106.3 FM, Joy 99.7 FM, Lagos Talks 91.3 FM

BROADCAST AND CONTENT

Houses growing interests in television, radio and films across Africa.

CONTENT

Times Media Films

TELEVISION

BusinessDay TV, the home channel (DStv Channel 176), Ignition, ochre moving pictures

RADIO

Vuma 103FM, Rise fm mpumalanga azishe

Strategic report
– highlights and financial review

Reflecting on our strategy, performance and how we added (delivered) value

The combined Media, Broadcast and Content divisions produced a solid performance against the backdrop of weak economic activity and contraction in consumer and advertising spend, with Media benefitting from its investment into new higher margin growth areas.

The Broadcast and Content division grew Trading Performance contribution, reflecting a strong performance from its films business, Empire Entertainment, growth in TV production company Ochre and a solid performance from Blackstar TV. Gallo showed pleasing growth in revenue of 6.4% in the year as new digital revenues outstripped declines in traditional physical sales – the music industry continues its recovery following a period of significant structural change. Empire Entertainment grew on the back of a stronger content mix, increased video-on-demand income and significant growth in revenues in the rest of Africa, most notably Nigeria.

Media, while pressured by the weaker economy, showed strong growth in recent areas of investment and diversification, such as digital subscriptions, events and brand extensions. Digital advertising income continued to rise, and digital reader revenue was up 31% year-on-year, reflecting the growth in subscriptions in the group. Unique browsers on Tiso Blackstar sites almost doubled to over 10-milllion a month in a year. The Events division grew revenues almost 20% and posted earnings four times ahead of prior year. Brand extensions Wanted, Edit and SMag produced 10% earnings growth despite a difficult national magazine market.

Traditional advertising remained under pressure industry wide. The effects of a weak economy continued to weigh on the industry but Business Day, Financial Mail and Sowetan showed a stabilization of revenues, a testament to their high-quality, market-leading positions. The Sunday Times, always a barometer of broader national economic activity felt the effects of reduced marketing budgets, as did the Eastern Cape titles which reflected broader provincial economic contraction. The group sold the loss-making Sunday World in June 2019, and in July 2019 acquired The Most Awards, The Media and Easy DIY as the successful focus on niche verticals continues.

The business also exited its shareholding in Allied Media Distributors Proprietary Limited in Gauteng and the Allied Publishing Proprietary Limited in Western Cape and expanded its own network to cater for direct delivery to retailers. This change was implemented 1 May 2019 and the project is already reaping benefits in terms of costs and flexibility which is expected to be particularly helpful for the Sowetan. In the Eastern Cape, reduced volumes at the printing plant resulted in the sale thereof and the outsourcing of print work in the region which will deliver long-term savings.

Management continues to proactively drive the business to be more flexible and innovative to adapt to consistently changing market conditions and to minimise its back-end structures to free up more investment in quality content, sales and customer service, all of which are crucial to ensuring the sustainability of the business long into the future.

VALUE EXTRACTION BUSINESSES

- Business strategy and overview
- Strategic report
  - KTH
  - Gallo and catalogue of indigenous films
  - Robor

tiso blackstar group.

Business strategy **and overview**

Tiso Blackstar have been actively trying to sell certain investments but market conditions have made it difficult to achieve acceptable solutions.

In 2016, Tiso Blackstar announced its intention to dispose of certain investments which were identified as non-core.

It is the intention of the Group to exit these businesses in a responsible manner in relation to their stakeholders while maximising value for our shareholders.

In the interim, Tiso Blackstar manages these assets closely through regular interactions with the executives of these businesses, attending board and shareholder meetings and reviewing financial and operational reports produced by the businesses. Existing strategies and plans are closely monitored and driven by Tiso Blackstar.

Refer Executive summary pages 19 to 22.
Refer Financial review pages 23 to 25.

GOVERNANCE STRUCTURES

Governance, within KTH and Robor is well developed, and they operate their own risk and opportunity frameworks. Risks are constantly prioritised through regular meetings between the non-core group's executives where risks and opportunities are tabled and discussed, and appropriate actions to mitigate such risks and to exploit opportunities are agreed and implemented.

The board of directors of the businesses, assisted by their executives are responsible for ensuring their compliance with laws, regulations, codes and standards ("LRC&S"). Where these LRC&S are specific to a particular function/discipline, the responsibility for compliance thereto rests on the executive responsible for such function/discipline. There were no material issues of non-compliance which arose over the past year which would impact the Tiso Blackstar Group.

During the period under review, Tiso Blackstar had investments in three businesses that have been deemed to be non-core. Two of these, namely 100% owned CSI and 47.6% owned Robor are in the South African Steel manufacturing sector and 20.01% owned KTH is an investment holding company.

The Group's entire interest in its wholly-owned non-core steel business CSI was successfully disposed of effective November 2018 for R50.0 million, of which R20.0 million was received on disposal and the balance accruing interest (repayable monthly) until settlement. Subsequent to year end, an agreement has been reached with CSI, which is still subject to achievement of certain conditions precedent, to settle the outstanding liability owing to Tiso Blackstar with a payment of R25 million (interest will continue to accrue and be settled monthly on the original outstanding amount until payment is made).

Strategic report

KTH (20.01% OWNED)

The Company remains committed to ensuring it unlocks value in its KTH stake in the short to medium term. A Turnaround Task Committee has been set up at KTH. Tiso Blackstar CEO is one of the task team members that has been appointed to unlock value.

KTH is a leading black-owned investment holding company established in July 2011 by a merger between Kagiso Trust Investments Proprietary Limited and Tiso Group Proprietary Limited and carries on the business of investing into various sectors in the local and foreign market through its subsidiary companies, joint ventures and associated companies. Its strong and diversified asset portfolio comprising a mix of listed and private investments in the media, financial services, industrial, services and healthcare sectors. Its major investments include Kagiso Media Proprietary Limited, Momentum Metropolitan Holdings Limited and Servest Group Proprietary Limited.

On publication of the Integrated Annual Report for the year ended 30 June 2018, the KTH shareholders had appointed an independent party to advise on the most optimal approach to meet the desired shareholders objectives, which included Tiso Blackstar's plan to dispose of its entire interest in KTH. It was highly anticipated that this KTH disposal plan would be completed by 30 June 2019.

Tiso Blackstar could however not come to reasonable sale terms for its KTH interest with other KTH shareholders, both in terms of value and an appropriate amount of cash. In February 2019, the Tiso Blackstar board reconsidered its position and decided that the most responsible approach would be to continue to hold the investment, and to work together with the other KTH shareholders and management, with the aim of increasing the overall value of KTH.

Tiso Blackstar's long-term view continues to be to dispose of its interest in KTH, but only once this can be successfully executed at a price which is reflective of the fair value of this investment. The board believes that this strategy will in the long-term yield a better return for shareholders.

As a result of the aforementioned events, the interest in KTH is no longer accounted for as a non-current asset held for sale (held at fair value less costs to sell) but rather accounted for as an investment in associate being equity accounted and tested for impairment annually with reference to the KTH portfolio valuation. The Group's investment in KTH is carried at R1,054.6 billion at 30 June 2019 (2018: R1,089.3 billion) being the equity accounted value net of impairment. Equity accounted earnings from the associate KTH amounted to R18.00 million for the current financial year and a reversal of impairment of R7.9 million recognised.

The intrinsic value of KTH decreased by 3% from R6.8 billion to R6.6 billion (after applicable holding company discounts). KTH's earnings for the year amounted to a loss of R90.1 million (2018: profit of R738.3 million). Income from equity accounted investments decreased to R243.8 million (2018: R1,207.5 million), mainly due to the comparative period including profits from Servest Group Proprietary Limited (R962 million) from the disposal of a significant foreign operation. The current period included positive results from Momentum Metropolitan Holdings Limited (R129 million) as well as increased contributions from Fidelity Bank (Ghana) Limited due to improved performance over the period (R96 million). Included in earnings was the disposal loss of the equity accounted investment held in XK Platinum Partnership of R19 million that was concluded in the period. Significant impairments were recognised on Servest Group Proprietary Limited, Fidelity Bank (Ghana) Limited and Me Cure Healthcare Limited during the period totalling R442 million.

The major assets in the portfolio making up 80.2% of the gross assets are as follows:

- Kagiso Media: a 100.0% owned diversified media business, which represents approximately 41.4% of the portfolio. It is valued on a discounted cash flow basis and it declined in value by 8,6% over the year;
- MMI: a 6.80% interest in a large listed diversified insurance Group, representing 26.4% of the portfolio. It is valued at market price and it increased in value by 7%; and
- Servest: a 51.85% owned large diversified services business, representing 12.4% of the portfolio. It is valued on a market multiple and decreased in value by 47.5% over the year.

KTH's central debt decreased by 30.9% to R2.3 billion. During the reporting period, KTH continued with its strategy to reduce the debt in the holding company.

A Turnaround Task Committee has been set up at KTH. CEO Andrew Bonamour is one of the KTH task team members that has been appointed to unlock shareholder value. In addition to this, a turnaround specialist was appointed to execute the turnaround strategy. Based on the progress made thus far, there is potential for KTH to return to paying dividends in 2020. An optimised KTH will enhance KTH's prospects and ultimately improve the Groups ability to sell its interest in KTH.

GALLO BUSINESSES AND CATALOGUE OF INDIGENOUS FILMS (100% OWNED)

GALLO MUSIC PUBLISHERS

Following the Transaction, Tiso Blackstar's interest in the Gallo Businesses will also be considered as non-core, as the Company's strategy will be to develop them further with a view of ultimately exiting these businesses. Lebashe has first right of refusal to buy these businesses.

Gallo is South Africa's largest and oldest independent music label and boasts some of the biggest artists to have come out of the country, including master recording ownership rights to multi- platinum Lucky Dube, Stimela, Sipho Hotstix Mabuse, Dorothy Masuka, Mango Groove, and Grammy winners Ladysmith Black Mambazo, amongst others. The catalogue is well positioned for the digital driven growth in the music industry in the coming years – targeting South Africa, Africa and relevant worldwide markets.

The music publishing leg of the business manages the intellectual copyrights of the song-writers and composers of the music and lyrics on 90% of Gallo Record Company's master recordings.

The Gallo Businesses also administer and collect revenues for other published catalogues under Gallo Music Publishers long-term deals for other local and international publishers and songwriters.

The Gallo Businesses continue to seek out opportunities in South Africa and across the African continent as the industry finally emerges with a sustainable and growing business model.

Tiso Blackstar has retained the catalogue of South African films in which it has an equity interest. Tiso Blackstar believes this catalogue has value and intends to further develop the existing catalogue and dispose of it when the appropriate fair value can be realised.

ROBOR (47.6% OWNED)

robor

In March 2019 at the time of the release of the interims results for the six months ended 31 December 2019, progress on the disposal plan for the Group's 47.6% interest in Robor was continuing, however this was dependent on Robor's merger with Macsteel. The merger did not close as Tiso Blackstar had hoped and was originally envisaged, however it was believed that the closure of two of South Africa's largest steel tube and pipe manufacturing plants would increase volumes through Robor's plant and improve profitability.

Unfortunately the decline of the South African economy, the margin-eroding effect of cheaper Chinese imports, delays in the signing of Independent Power Producer agreements with the South African Government and the well-publicised financial demise of Eskom have caused systemic harm to both production and revenue generation in South Africa's steel tube and pipe manufacturing sector.

In response to this, Robor undertook significant restructuring and cost-cutting initiatives during the course of the 2019, aimed at mitigating declining revenues and tonnage throughput. These initiatives were wholly supported by Robor's principal credit providers amidst an increasingly challenging lending environment. As part of this restructuring, Robor negotiated and concluded agreements aimed at ensuring a continuation of existing banking and trade credit insurance facilities and improved supply of coil and other raw materials. The credit facilities which Robor relied on, were dependent on Robor maintaining critical levels of stock, which, despite numerous meetings with suppliers and trade credit insurers, Robor was unable to do.

In addition the Company explored numerous avenues to raise additional capital for Robor including selling Robor as a going concern, merging with a competitor and a possible break-up and sale of individual Robor group companies. Tiso Blackstar and its shareholders were unable to commit any further capital or support to Robor beyond the Company's current exposure, particularly in view of its well-publicised intention to divest of its non-core assets, of which its investment in Robor was one.

Regretfully, despite all efforts to right-size Robor's operations, to procure additional tonnages for Robor's world-class manufacturing facility and to source additional capital, Robor became increasingly unable to maintain the required levels of working capital, which resulted in the credit insurance facilities being withdrawn in August 2019 and Robor being unable to continue as a going concern in the foreseeable future.

Due to the abovementioned issues, Robor's directors and shareholders unanimously passed resolutions for the winding-up of Robor in terms of Sections 349 and 351 of the Companies Act 71 of 2008 of South Africa. These resolutions came into effect on 19 September 2019, being the date on which they were registered by Companies and Intellectual Property Commission. On 26 September 2019 the South Gauteng High Court granted the order of liquidation of Robor.

The events subsequent to 30 June 2019 provided evidence of conditions that existed at the reporting date and accordingly, the Group has fully impaired its investment in and related loan to Robor as the Company believes any subsequent recovery of such investment is unlikely. Refer to note 9 of the consolidated financial statement.

GOVERNANCE REPORT

- Governance philosophy
- Effective and ethical leadership
  - Ethics in action
  - Responsible corporate citizenship
  - Value creation and reporting
- Board composition, structure and report back
  - Board roles and responsibilities
  - Board composition
  - Board profile
  - Sub-committees structures and report back
  - Board effectiveness
- Governance functional areas
  - Risk management and assurance process
  - Technology and information governance
  - Regulatory compliance
  - Stakeholder management
  - Remuneration

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Governance **philosophy**

Given the magnitude of the Transaction, disposals and acquisitions that took place during the year and increased demands on the board and management – the importance of good governance is emphasised particularly to ensure its sustainability going forward.

REGULATIONS

The standards of disclosure relating to corporate governance at the Group are regulated by the UK Companies Act (applicable to the UK registered holding Company and other UK registered investment holding subsidiaries), the SA Companies Act (which is applicable to the South African Group companies), the JSE Listings Requirements and the King IV™.

KING IV™ APPLICATION

The Group is committed to the application of the principles of King IV™ and continues to develop its policies, practices and procedures in line with an integrated governance, risk and compliance framework. The 2017 financial year was the first year that the Group adopted King IV™.

Policies reviewed and consolidated

A comprehensive review of all existing policies and consolidating of same into one Group policy was done. All policies are thus aligned and supported by an appropriate framework that can be monitored and measured.

A detailed analysis of the Group's compliance with King IV™ is available at www.tisoblackstar.com.

We recognise that adoption of King IV™ and the <IR> Framework is an ongoing process and remain committed to continuing our journey to achieve improved application thereof and further development of our integrated annual report disclosure.

The board also aims to integrate responsible corporate citizenship into the Group's business strategy and embeds sound corporate governance practices into daily operations and processes throughout the Group.

GOVERNANCE

Foreign associates and non-core operations

The Group maintains an adequate level of governance over its foreign associates and non-core operations through board representation (dependent upon the size of Tiso Blackstar's interest in the Company) as well as regular interaction with management. This process includes site visits, attendance of management meetings, review of management reports including monthly management accounts, financial reporting packs and annual financial statements. Feedback on non-core and foreign associates' results and performance is provided by management at every Tiso Blackstar board meeting and where deemed necessary these associates attend and present to the board.

The board is committed to integrity, competency, responsibility, accountability, fairness and transparency through its ethical leadership.

Effective and **ethical leadership**

Principle 1 and 2
Desired outcome: Effective and ethical leadership, to be an organisation with an ethical culture

EFFECTIVE AND ETHICAL LEADERSHIP

Ethics in action

Tiso Blackstar is a culturally diverse organisation and so having a set of common values and goals, while respecting local legislation, governance guidelines and methods of working, is key to achieving a culture we can be proud of.

To address its responsibility for ethical behaviour, the Group has a **Tiso Blackstar Group Code of Conduct and Ethics Policy** that consolidates the overall principles of the Group in governing the ethical culture and behaviour into one policy.

This policy is extended further into each of the detailed codes of conduct and ethics policies, which exist at a segmental level and address the specific requirements of the individual businesses based on the nature and location of their operations.

GROUP CODE OF CONDUCT AND ETHICS POLICY

Tiso Blackstar's **Group Code of Conduct and Ethics Policy** effectively offers guidelines for responsible behaviour and sets forth a common basis for resolving the principal ethical dilemmas encountered in the course of business including:

- Compliance with laws and regulations;
- Conflict of interest;
- Communications;
- Intellectual property rights;
- Gifts, hospitality, favours & free trips;
- Remuneration;
- Privacy and confidentiality;
- Theft;
- Unfair discrimination;
- Harassment;
- Substance abuse;
- Personal relationships between employees; and
- Whistle blowers.

The code clearly communicates to employees and other stakeholders the values that are most important to the business and forms the basis of the behaviour expected in business dealings.

This Code of Conduct and Ethics Policy applies equally to directors, employees and other representatives of the Group and compliance with the code is mandatory.

EDITORIAL POLICY AND CODE OF CONDUCT

MEDIA DIVISION

In addition to the afore-mentioned code, Tiso Blackstar's Media division has an **Editorial Policy and Code of Conduct** to which all Media staff adhere.

Newspapers, magazines, websites and other digital products, are produced to strict and exacting standards by exceptionally talented individuals and teams working under the pressure of demanding deadlines.

Journalism is taken very seriously because responsible journalism is good business.

The Editorial Policy and Code of Conduct is a compilation of the Group's policies which guide news gathering operations.

We believe that **clear values** and a **focus on ethical behaviour** allow the business to perform more efficiently and effectively and are supportive of our long-term strategy.

Values

Tiso Blackstar subscribes to the following set of values:

Creating integrity
- ethics
- honesty

Respect
- trust
- dignity

Responsibility
- accountability
- commitment

Innovation
- creativity
- ingenuity

Achievement
- quality
- results
- success
- performance

Fairness
- diversity
- inclusivity
- transformation
- equal opportunity

Customers
- customer satisfaction

Safety
- health

Community
- corporate citizenship

Environment
- sustainability

Fair dealing and integrity

Tiso Blackstar and its core subsidiaries are committed to a policy of fair dealing and integrity in the conduct of business.

The Group commits itself to act within the framework of all applicable laws and to act ethically and morally with all interested parties (Principle 13). Accordingly, employees are expected to maintain fair practices through:

The maintenance of a high standard of integrity in all business relationships and at all times, carefully guarding against influences which may compromise independent judgment and action.

The authority to act on behalf of the Company will at all times be used in the best interests of the Company. Such authority should always be exercised within the delegated approval.

Social, Ethics and Transformation committee

The board has a Social, Ethics and Transformation committee to ensure that Tiso Blackstar has oversight of and reporting on organisational ethics. A formal charter, which guides the committee in terms of its objectives, authority and responsibilities, governs the committee and the board is kept duly updated on the various matters by the committee chairman.

See committee feedback on page 82.

Effective and **ethical leadership** continued

Principle 3
Desired outcome: To be an organisation that demonstrates good corporate citizenship.

RESPONSIBLE CORPORATE CITIZENSHIP

Tiso Blackstar's Group Code of Conduct and Ethics Policy sets clear standards that ensure we conduct business to a high ethical standard, build trust with stakeholders, and comply with all applicable laws and regulations across the Group.

The **Social, Ethics and Transformation committee** is responsible for ensuring that Tiso Blackstar reporting on responsible corporate citizenship, sustainable development and stakeholder relationships in compliance with the JSE Listings Requirements and King IV™.

In line with their terms of reference, the committee focuses on monitoring the Group's activities, relevant to legislation and legal requirements. The committee places emphasis on the Group's contributions to the wider community it serves, the provision of support and sponsorships for appropriate causes, loyalty, health and safety, and consumer protection.

Per its charter, the committee is responsible for the following:

- social and economic development;
- protection of human rights;
- upholding the freedom of association;
- elimination of forced labour;
- no tolerance of child labour;
- environmental challenges and responsibilities;
- working against all forms of corruption; and
- the elimination of discrimination in respect of employment and occupation.

Tiso Blackstar has a societal obligation to the community to report responsibly and create a platform for fact-based discussions and decisions. For further information as to how the Group has acted as a responsible corporate citizen, refer to Our People, review (pages 26 to 29), Transformation review (pages 32 to 35), and Community Review (pages 36 and 37).

The work of the Social, Ethics and Transformation committee during the reporting period is provided in further detail under the Social, Ethics and Transformation committee report provided on page 82.

Principle 4 and 5
Desired outcome: Optimised performance, value creation and sustainability.

VALUE CREATION AND REPORTING

Our approach and philosophy of integrated reporting is documented on page 02. Further detail on the board's approach to King IV™ reporting is provided in our Reporting approach on page 02.

Our Strategic report provides details of the Group's performance (refer to page 07) as well as strategic priorities and growth drivers and the 2019 key highlights in this regard (refer pages 15 and 08 to 09 respectively). The Business models on pages 54 and 55 and 62 and 63 provide the context and link between the capitals utilised and the outcomes which are linked to our strategic priorities. Materiality is determined by the board with reference to the Group's strategies as documented on page 40 and Tiso Blackstar's material risks as per pages 41 to 49 inform the strategic priorities of the Group.

Tiso Blackstar's assurance model comprises a combination of assurance in the form of management control, internal and external assurance. Further details are provided under the Risk Management and assurance framework section on page 86. As previously mentioned, due to the fact that Tiso Blackstar is a UK registered company with a listing on the Main Board of the JSE, two audit reports are required: one is provided by the UK statutory auditors Deloitte LLP; and a second audit report is provided by a South African auditor Deloitte & Touche SA for JSE reporting purposes.

Board composition, **structure and report back**

IV

Principle 6, 7, 8, 9 and 10
Desired outcome: Adequate and effective controls within Tiso Blackstar.

BOARD COMPOSITION, STRUCTURE AND REPORT BACK

BOARD ROLES AND RESPONSIBILITIES

The board maintains full and effective control over Tiso Blackstar and remains ultimately accountable for its performance and affairs.

The board regards governance as fundamental to the success of the Company.

It is committed to applying the principles of good governance in directing and managing the Group to achieve its strategic objectives. The board reviews the strategic priorities of the Group and delegates to the CEO and his management team the detailed planning and implementation of the objectives and policies. The board has approved the Company's existing strategy and oversees both its implementation and relating operational plans derived by the CEO and his management team whose performance is measured against agreed performance measures and targets. The board monitors compliance with policies and achievement against objectives in its board meetings where the board covers routine business through operational reports and project updates relating to matters of strategy, finance and other special items. Reports from committee chairmen and certain administrative items are also considered at each board meeting.

The board delegates transactional and contractual authority from the board to its sub-committees and the CEO who is supported by executive committees at various levels. This provides effective and practical directives and guidelines for minimising or eliminating the Company's possible exposure to risk. Refer to page 76 for a depiction of this structure.

The board conducts its business in line with the principles of King IV™, which include exercising discipline, independence, responsibility, fairness, social responsibility and transparency, as well as the accountability of directors to all stakeholders.

Tiso Blackstar has a Board Powers and Authorities Policy which stipulates a clear balance of power and authority at board level, to ensure that no one director has unfettered powers of decision-making.

In summary, the key responsibilities of the board of directors are as follows:

- Ensure the Company has an effective and independent Audit committee;
- Contribute to and approve the strategic direction of the Company and the Group;
- Satisfy itself that the strategy and business plans for achieving the Group's objectives do not give rise to risks that have not been thoroughly assessed by management;
- Ensure the strategy will result in sustainable outcomes, taking into account financial, environmental and social objectives as approved by the board;
- Ensure the integrity of the Company's integrated annual report;
- Report on the effectiveness of the Company and Group's system of internal controls;
- Be responsible for the governance of risk through effective risk management practices, including regularly reviewing and evaluating risks to the Company and the Group;
- Ensure the Company is, and is seen to be, a responsible corporate citizen;
- Identify, manage and monitor any gaps between stakeholder perceptions and the performance of the Company to manage its reputation;
- Ensure good corporate governance practices are embedded into daily operations and processes throughout the Group; and
- The board has ultimate responsibility for the ethical culture of the Group and will aim to set clear values and lead by example.

Directors have access to complete, accurate and timely information to fulfil their responsibilities, and all material matters are reported by the executive teams to the CEO who in turn reports it to the board.

The board is satisfied that it has fulfilled its responsibilities in accordance with its Board Powers and Authorities Policy during the year.

Board composition, **structure and report back** continued

BOARD COMPOSITION

The Company has a unitary board structure, with four non-executive directors (two of whom are independent non-executives as defined by King IV™) and one executive director being the CEO.

David Adomakoh is appointed as the Chairman of the Group and Andrew Bonamour is the CEO of the Group. The roles of the Chairman and the CEO are separate, with responsibilities divided between them to ensure a balance of power and authority. The Chairman's responsibilities are outlined within the Board Powers and Authorities Policy and the Chairman is responsible for providing overall leadership of the board and its effectiveness.

The services, responsibilities and functions traditionally performed by a Chief Financial Officer are provided by the wholly owned subsidiary Tiso Blackstar SA (investment advisor). The board is in the process of finalising the appointment of a financial director to the board.

Delegation of authority

The board delegates responsibility for execution of the Group's strategy and overall management of the Group to the CEO who has no other external professional commitments.

The CEO is supported by the senior Group executives and the divisional management teams

These executives coordinate operational execution of the strategy, ensures effective internal controls are functioning and that there is an effective risk management process in operation throughout the Group.

Lead independent director

The lead independent director of the Group is John Mills who serves on most of the sub-committees of the board, except for the Social, Ethics and Transformation committee and is therefore well placed to influence the governance of the Group and meet his obligations.

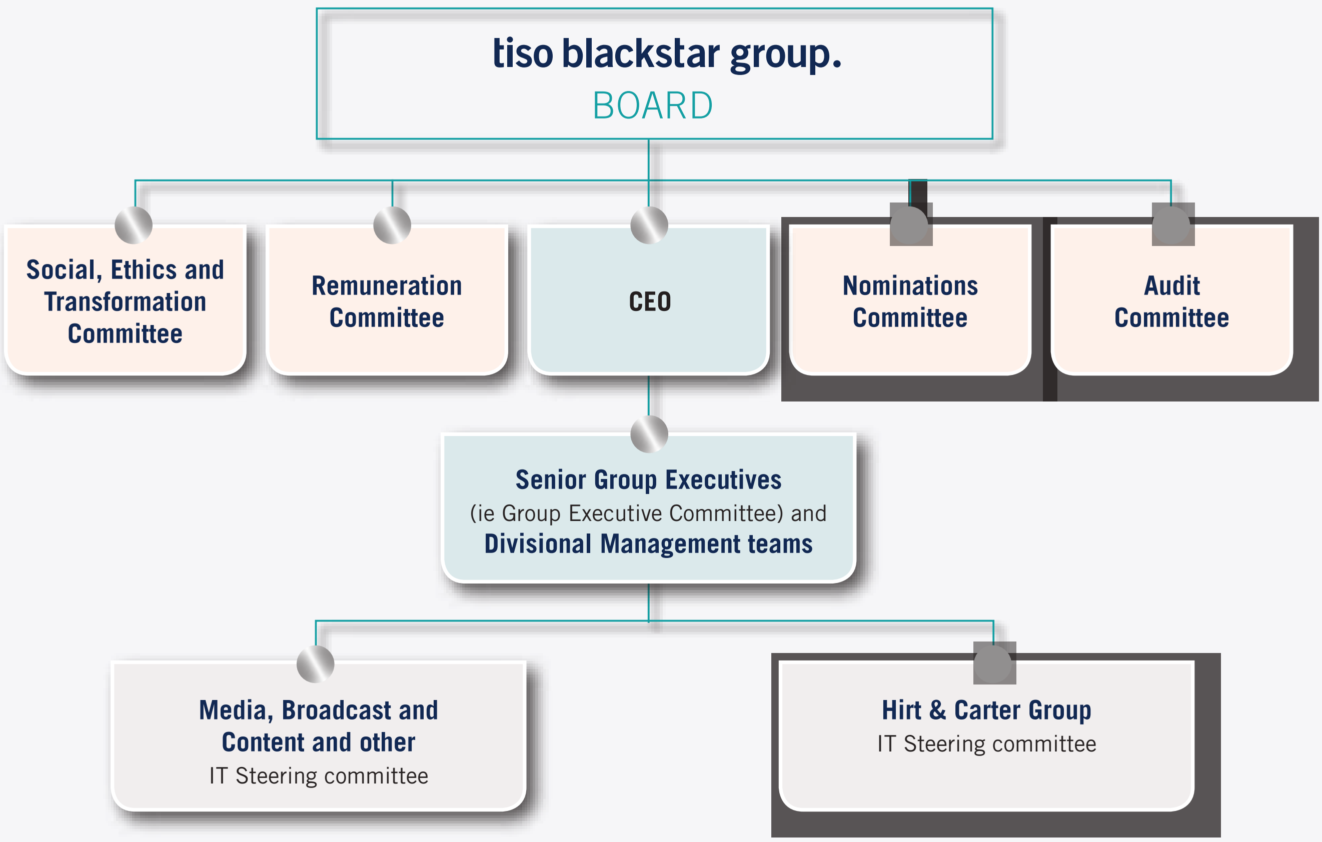
Main function of the lead independent director

As noted in the Company's Board Powers and Authorities Policy, the main function of the lead independent director is to provide leadership and advice to the board (without detracting from the authority of the Chairman) when the Chairman has a conflict of interest. This is an on-going appointment and the appointment of a lead independent director addresses the fact that the Chairman is not considered to be independent as a result of his shareholding in the Company. There is also an independent representation on the board to maintain balance and control in the boardroom.

All directors are assessed in the annual evaluation process assessed by the Nominations committee in accordance with the JSE Listings Requirements (refer to Nominations committee report on page 83).

Board committees

The board governs through clearly mandated board committees. Each committee has specific written terms of reference approved by the board and adopted by the committee and is supported by the Group executive committee and its divisional committees.



The board regularly reviews the Group's succession strategy and the initiatives which are in place to support succession planning.

Appointment of new directors

The Nominations committee reviews and assesses board composition on behalf of the board and considers and recommends the appointment of new directors. board appointments are guided by the Company's Board Appointment's Policy. All board appointments are made on merit, in the context of the skills, experience, independence and knowledge, which the board as a whole requires to be effective.

Factors that are taken into consideration are:

- diversity of the skills;
- regional and industry experience;
- background; and
- race and gender.

Non-executive directors are drawn from diverse backgrounds and bring a range of experience, insight and professional skills to the board to ensure effective leadership of the Company. Non-executive directors' contracts are renewed annually.

The board considers that there is an appropriate balance of skills, experience, independence and knowledge among the directors. Collectively there is an appropriate balance of capabilities, business experience, independence and diversity on the board to meet the Group's current business needs. The directors have experience gained from a range of international organisations. The board has adopted a race and gender diversity policy. While 60% of the board members are black the board recognises that it does not have an adequate representation of female members and has set a target of appointing an additional female non-executive director. The Nomination committee will continue to discuss and annually agree all measurable targets for achieving gender and race diversity on the board.

In terms of the Company's Articles of Association, one-third of non-executive directors retire by rotation each year and are eligible for re-election by shareholders at the Annual General Meeting.

Refer to board effectiveness on page 84 for further details of the evaluation of the board's effectiveness.

The board met five times during the review period. The senior Group executives attend the board meetings by invitation in instances where it would assist the board in exploring and understanding specific issues and developments in greater detail. Depending on the areas of focus for the board meeting, relevant management of the core divisions may also be invited to present to the board.

DIRECTORS' ATTENDANCE AT THE BOARD AND COMMITTEE MEETINGS IN THE 2019 FINANCIAL YEAR

			Committee			
	Board	Board strategy session	Audit	Remuneration	Nominations	Social, Ethics and Transformation
Number of meetings in the year	**5**	**2**	**3**	**4**	**1**	**1**
David Adomakoh (Chairman)	5	2	NM	3	1	NM
John Mills	5	2	3	4	1	NM
Nkululeko Sowazi	5	2	1	NM	NM	1
Andrew Bonamour	5	2	3*	3*	NM	1
Marcel Ernzer#	1	1	1	2	1	NM
Harish Mehta	5	2	3	4	1	1

** By invitation.*
 # Marcel Ernzer resigned effective 28 November 2018.
NM – Non-member.

Board composition, **structure and report back** continued

BOARD PROFILE

Andrew David Bonamour (48)

Chief Executive Officer

BCom (Unisa)

Appointed: 2006

Andrew is the founder of Tiso Blackstar and CEO of several Group companies. He previously worked at Brait SA Limited in investment banking, principal investments and corporate finance. While at Brait, he originated and led leveraged buyouts, mergers and acquisitions, capital replacements and restructurings. He has in-depth experience in corporate finance, private equity and investment banking. The capacity of Andrew Bonamour changed from a non-executive director to CEO with effect from 17 July 2017.

David Kwame Tandoh Adomakoh (54)

Non-executive Chairman

BSc (econ) (hons) (London School of Economics), Diplôme de Langue et de Civilisation (La Sorbonne, Université de Paris)

Appointed: 2015

David is a co-founder of Tiso Group and served as its Group managing director. His experience spans 25 years in executive management and investment banking, and includes principal investing, corporate and project finance advisory work, debt capital raising, and financial derivatives in a number of countries, predominantly in Africa and Europe. He is a former director of Chase Manhattan Limited, London; head of Chase Manhattan Bank, Southern Africa; executive director of Robert Fleming Holdings South Africa Limited; and head of Africa Corporate Finance at JPMorgan Chase Bank, NA Johannesburg branch.

External directorships: Non-executive director of Kagiso Tiso Holdings Proprietary Limited (chairman of its investment and valuation committee); Nedbank Group Limited and Vanguard Group Limited (Ghana). Founding trustee of The Tiso Foundation and a world fellow of the Duke of Edinburgh's International Award.

John Broadhurst Mills (50)

Non-executive Deputy Chairman, lead independent Director

BCom (law), LLB (Stellenbosch University), South African advocate (admitted 1995); solicitor of England and Wales (admitted 1996); solicitor of the Eastern Caribbean Supreme Court (admitted 2007)

Appointed: 2006

As a qualified solicitor, John has extensive experience in advising clients on structuring and exiting private-equity investments, through both onshore and offshore vehicles.

External directorships: director of Maitland Luxembourg SA and a number of private equity and investment fund vehicles.

BOARD PROFILE

Nkululeko Leonard Sowazi (56)

Non-executive Director

BA *(econ), MA (University of California, Los Angeles)*

Appointed: 2015

Nkululeko is chairman of Kagiso Tiso Holdings Proprietary Limited, a leading South African investment holding Company with significant interests in the media, financial services and resources sectors. He was executive chairman and co-founder of Tiso Group, which was formed in 2001 and grew to a multi-billion rand investment Company when it merged with Kagiso Trust Investments.

External directorships: non-executive director of Grindrod Bank Limited, Litha Healthcare Group Limited and Idwala Industrial Holdings Proprietary Limited. Founding trustee of Tiso Foundation, chairman of Homeloan Guarantee Company and Housing for HIV Foundation in Washington DC; serves on the board of governors of Michaelhouse College and world fellow of the Duke of Edinburgh's International Award.

NON-EXECUTIVE

INDEPENDENT

Marcel Ernzer (64)

Independent Non-executive Director

Appointed: 2006
Resigned: 28 November 2018

Marcel is an independent consultant in the financial sector. He qualified as a "Réviseur d'entreprises" with PriceWaterhouse Luxembourg (1982-1986). From 1987 to 1996, he set up and managed Unico Financial Services, Luxembourg (owned by Crédit Agricole, DZ Bank, Rabobank, RZB Austria, Cera Bank (later KBC) and Okobank). Over his career, he has been a director of several financial services companies including Corporate Management Services owned by Commercial Union, EEK Invest owned by Evangelische Kreditgenossenschaft, Piac owned by RZB Austria, UKB owned by Kokusai Securities, and Winterthur Financial Services. He was also a director of several investment funds and served on the board of the Association of the Luxembourg Fund Industry.

External directorships: Director of Blue Marlin Holdings SA, Camera di Commercio Italo-Lussemburghese, Wallberg Invest SA, Flaskamp Invest SA, InsingerGilissen Manager Selection Sicav and some more Luxembourg based investment funds and family-owned commercial companies.

Harishkumar Kantilal Mehta ("Harish") (69)

Independent Non-executive Director

BSc (ind eng) and MBA (University of Wisconsin), diploma in printing technology (Leeds)

Appointed: 2016

Harish was instrumental in expanding Uniprint (founded over 90 years ago), to 60 times its original size. Uniprint was acquired by the Group in 2010.

External directorships: non-executive chairman of Cibapac Proprietary Limited and Averda SA Proprietary Limited; non-executive director of The Spar Group Limited and Redefine Income Fund Limited; member of Kwa-Zulu Natal board of FNB as well as many community organisations; executive chairman and CEO of Clearwater Capital, a family fund.

Board composition, **structure and report back** continued

SUB-COMMITTEES' STRUCTURES AND REPORT BACK

BOARD COMMITTEES

In fully discharging its responsibilities, the board is assisted by dedicated sub-committees, with respective mandates and membership shown below. The sub-committees meet independently, and provide feedback to the board through their chairman. Each committee has the authority to make decisions according to its terms of reference. Work programmes are agreed by each committee that are designed around the annual business calendar and their respective terms of reference. The matters reserved for the board together with the terms of reference of each of the committees are reviewed on an annual basis and when there have been changes in circumstances, governance or regulation. The committees meet prior to meetings of the board to enable the committee chairs to report to the board. This facilitates the communication between directors. It also ensures that all aspects of the boards' mandate have been addressed and enables any necessary recommendations or advice relevant for deliberations to be provided. Only committee members are entitled to attend committee meetings, although the chairman of each committee can invite, as they consider appropriate, management and advisors to meetings to provide information and insights, answer questions and to assist the committees in carrying out their duties.

All sub-committees are satisfied that they fulfilled their responsibilities in accordance with their terms of reference during the year.

tiso blackstar group.

BOARD OF DIRECTORS Chairman: David Kwame Tandoh Adomakoh

AUDIT COMMITTEE
Chairman: John Mills

- Monitors the adequacy of financial controls and related disclosures in financial reporting
- Reviews audit plans and adherence to these by external auditors
- Ensures financial reporting complies with IFRS, UK Companies Act, King IV™ ensuring effective governance in the Group's financial and integrated reporting
- Reviews and makes recommendations on all financial matters
- Nominates auditors for appointment
- Monitors the Group's appetite for risk, governance of risk and information technology
- Assesses the independence of the external auditors, and considers and approves their fees

REMUNERATION COMMITTEE
Chairman: John Mills

- Establishes principles of remuneration and determines remuneration of executive and non-executive directors as well as senior Group executives
- Considers, reviews and approves Group policy on CEO and senior Group executive remuneration and communicates this to shareholders in the integrated annual report
- Reviews and approves the operation of the Group's short-term and long-term incentives for executives and senior management across the Group

Refer page 99 for Remuneration committee feedback.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE
Chairman: Harish Mehta

- This committee serves as the statutory social and ethics committee as required in terms of the South African Companies Act and its duties are informed by regulation 43 of the Companies Regulations, 2011 and the application of the relevant principles of King IV™
- Makes recommendations to the board on social and economic development
- Assesses responsible corporate citizenship, environment, health and public safety
- Oversight of sustainable development and stakeholder relationships

NOMINATIONS COMMITTEE
Chairman: John Mills

- Evaluates the board and its committees per their mandates
- Considers suitable nominations for appointment to the board and succession planning
- Makes appropriate recommendations based on qualifications and experience
- Responsible for the approval and adoption of the Gender and Race Diversity Policy

SUB-COMMITTEES' STRUCTURES AND REPORT BACK

AUDIT COMMITTEE

The Audit committee is satisfied that it has considered and discharged its responsibilities in line with its terms of reference in the review period. The Audit committee conducts itself under the guidelines as detailed in its board approved Audit Committee Terms of Reference Policy document.

John Mills
Chairman

Composition

- John Mills (Chairman)
- Nkululeko Sowazi
- Harish Mehta
- Marcel Ernzer *(Chairman until resignation 28 November 2018)*

Meetings

- The committee met three times during the financial year
- The CEO and the finance senior Group executives attend the meetings as permanent invitees
- External auditors attend the relevant meetings

Material risk categories

ECONOMIC ENVIRONMENT
CAPITAL MANAGEMENT
OPERATIONS
FINANCIAL
REGULATORY AND TAX ENVIRONMENT
IT AND INFORMATION INFRASTRUCTURE

Stakeholders

GOVERNMENT AND REGULATORS
SHAREHOLDERS AND FUNDING INSTITUTIONS

2019 in Overview

During the current financial year, the work of the Audit committee focused on the following:

- review and recommendation to the board for approval of the interim and annual results announcements and the annual financial statements and integrated annual report;
- approval of the external audit engagement letter, non-audit services, audit fees and evaluation of the independence of the auditors;
- review and approval of the 2019 audit plan ensuring that material risk areas were included and that coverage of significant businesses was acceptable;
- review of the external audit reports for 2019 financial year;
- review of the information detailed in paragraph 22.15 (h) of the JSE Listings Requirements and assessment of the suitability of external auditors for reappointment in terms of JSE Listings Requirements;
- consideration and discussion of all JSE reports as a requirement for the JSE Main Board listing;
- review with management of all material legal, legislation, taxation and regulatory developments;
- review and approval of the Group's Tax Policy and consideration of the new accounting standards IFRS 9, 15 and 16;
- review of the Group's risk register and risk assessment and risk management policies and framework;
- approval of internal audit charter, internal audit plan, reviewed and discussed the Internal Auditors' findings, reports, and their assessment of the internal control environment;
- review of operational risk management including fraud and theft; and
- assessment of internal controls environment, particularly in relation to the Group's internal financial controls.

Focus for 2020

- post the restructure – any financial and accounting implications and review of the Group tax arrangements including tax strategies;
- review and recommendation to the board for approval of the preliminary and annual results announcements and the annual financial statements and integrated annual report;
- approval of the external audit engagement letter, non-audit services, audit fees and evaluation of the independence of the auditors;
- review of the 2020 audit plan ensuring that material risk areas are included and that coverage of significant businesses is acceptable;
- review of the external audit reports for 2020 financial year;
- review of the information detailed in paragraph 22.15 (h) of the JSE Listings Requirements and assessment of the suitability of external auditors for reappointment in terms of JSE Listings Requirements;
- consideration of any prospective accounting standard changes;
- consideration and discussion of all JSE reports as a requirement for the JSE Main Board listing;
- review with management of all material legal, legislation, taxation and regulatory developments;
- review and approve the Group's risk register, policies on risk assessment and risk management framework;
- approval of Internal Audit Charter, internal audit plan for the 2020 year, the assessment of the internal control environment and, review and discuss findings and reports received from the Internal Auditors;
- review the various outcomes from the assurance providers and opine on the support of these, on the integrity of information for decision-making and external reporting processes;
- consider and approve the policies and charters in place including Tax Policy, Internal Audit Charter and Non-audit Services Policy;
- completion of interview process to appoint a new independent non-executive director who will serve on the Audit committee; and
- assessment of internal controls environment, particularly in relation to the Group's internal financial controls.

Refer to the report of the Audit committee on page 117 of the consolidated financial statements for the year ended 30 June 2019.

Board composition, **structure and report back** continued

SUB-COMMITTEES' STRUCTURES AND REPORT BACK

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

The Social, Ethics and Transformation committee is satisfied it has considered and discharged its responsibilities for the financial year in line with its terms of reference and King IV™.

Harish Mehta
Chairman

Composition

- Harish Mehta (chairman)
- Nkululeko Sowazi
- Andrew Bonamour

Meetings

- The committee met once during the financial year
- The CEO is a member of this committee
- The finance senior Group executives are permanent invitees to this meeting

Material risk categories

REGULATORY AND TAX ENVIRONMENT

HUMAN RESOURCES

Stakeholders

GOVERNMENT AND REGULATORS

SHAREHOLDERS AND FUNDING INSTITUTIONS

CUSTOMERS AND COMMUNITIES

2019 in Overview

During the current financial year, the work of the Social, Ethics and Transformation committee focused on:

- review of current year initiatives for sponsorships, donations and charitable giving via the Blackstar Foundation and the Media sector;
- oversight of the integration of processes and improvement of systems to support employees in creating a better work environment;
- monitoring compliance with B-BBEE Act, 2003;
- review of and recommendation to the board to improve of the Group's Modern Slavery statement;
- review and adoption of the current social and ethics charter;
- oversight of investigation of investment opportunities to support and grow small businesses and expand their infrastructure which will assist in growing the South African economy; and
- overseeing management's project to work with distributors in the Media sector to create entrepreneurships via informal micro businesses as well management's ongoing collaboration with other organisations to create micro entrepreneurs.

Focus for 2020

- The sponsorship, skills and development training workshops and charitable giving via the Blackstar Foundation and the Hirt & Carter Group business;
- B-BBEE forms a key strategic focus area for the Group and the organisation remains committed to transformation. Therefore increased focus on Hirt & Carter Group's development in this area including review and oversight of their transformation strategy and plan;
- the roll out of anti-bribery and corruption policy and procedures; and
- post the completion of the Transaction, additional focus will be placed on Hirt & Carter Group and its social and ethics objectives and commitments.

Given that the Social, Ethics and Transformation committee only met once during the year, several Social, Ethics and Transformation committee related matters were dealt with at board level where appropriate to ensure these were suitably addressed.

SUB-COMMITTEES' STRUCTURES AND REPORT BACK

NOMINATIONS COMMITTEE

The Nominations committee is satisfied it has considered and discharged its responsibilities for the financial year in line with its terms of reference and King IV™.

John Mills
Chairman

Composition

- John Mills (chairman)
- David Adomakoh
- Harish Mehta
- Marcel Ernzer *(resigned 28 November 2018)*

Meetings

- The committee met once during the financial year

Material risk categories

REGULATORY AND TAX ENVIRONMENT

HUMAN RESOURCES

Stakeholders

GOVERNMENT AND REGULATORS

SHAREHOLDERS AND FUNDING INSTITUTIONS

CUSTOMERS AND COMMUNITIES

2019 in Overview

During the current financial year, the work of the Nominations committee focused on:

- completion of the annual directors' evaluation process including review of director's declarations in respect of the year ended 30 June 2019 and assessment of independence and presentation of the results to the board;
- review of the composition of the board, Audit, Social, Ethics and Transformation, and Remuneration committees and recommended the appointment of new independent non-executive directors;
- considered proposed suitable candidates for appointment to the board, and considered candidates on merit against objective criteria and in compliance with the Company's Board Appointment's Policy;
- review of the Company's Board Appointment's Policy and Gender and Race Diversity Policy and considered whether any amendments are required; and
- reviewing the effectiveness of the Nomination committee's processes in place to evaluate the performance of the board and its committees against their mandates and executed any changes required.

Focus for 2020

- ongoing consideration of the current board and sub committees compositions and recommend the appointment of new directors in terms of JSE Listings Requirements and UK Companies Act;
- finalise the process of nominating additional independent non-executive directors to the board of the Company;
- implementation of processes and measurable targets to achieve gender and race diversity targets set for the board in line with new Group strategy post the restructure;
- review the Company's Board Appointment's Policy and Gender and Race Diversity Policy and consider whether any amendments are required;
- review the effectiveness of the Nomination committee's processes in place to evaluate the performance of the board and its committees against their mandates and execute any changes required; and
- completion of the annual directors' evaluation process.

Given that the Nominations committee only met once during the year, certain matters were dealt with at board level where appropriate to ensure these were suitably addressed.

Board composition, **structure and report back** continued

BOARD EFFECTIVENESS

NOMINATION COMMITTEE

The Nomination committee evaluates the performance of the board and its committees against their mandates on an annual basis. The independence of directors is reviewed annually by the Nomination committee, after review of the declarations provided by all of the independent non-executive directors. The Company actively solicits details from its directors on external shareholdings and directorships with the potential to create conflicts of interest while serving on the board. Declarations received from directors are closely scrutinised by the Nomination committee chairman and the Company secretary, and tabled at the board meeting. Where a conflict arises on any particular matter, directors are required to recuse themselves from discussions. As far as possible, the Company requires that directors avoid any potential conflicts of interest. The Nomination committee has satisfied itself that the independent directors meet the criteria for independence in terms of King IV™. Particularly those in excess of 9 years.

BOARD EFFECTIVENESS EVALUATION

The board evaluated both its own effectiveness and the individual performance of directors in respect of the financial year ended 30 June 2019. This process is achieved by questionnaire forms completed and submitted by directors in a discreet and confidential manner. The responses are collated by the Company Secretary and a report is summarised for feedback and discussion at the Nomination committee meeting. The evaluation for the current period concentrated on the focus areas of board composition, board expertise, time management, board support, the committees and Chairman, the board's role in setting strategy, oversight of the strategic plan, risk management and internal control, succession planning, compliance and ethics. All focus areas were rated relatively well with no material concerns.

Top priorities for the board in the coming year were identified as follows:

- Focusing on developing strategy;
- Executing identified business disposals and repositioning the remaining portfolio;
- Gaining a greater understanding of the investor market; and
- Focusing on community and transformation issues.

The Company has a Group-wide Securities Dealings Policy which has been designed to ensure that staff do not misuse, or place themselves under suspicion of misusing, information about the Group which they have and which is not public. Tiso Blackstar also has a Dealings Code which sets out standards of good practice for dealing in shares and other securities of the Company admitted to trading on the Main Board of the JSE. This code complies with JSE Listings Requirements which place certain restrictions on dealing in the Company's Securities, and the Financial Markets Act, 2012 prohibits insider trading and other market abuses.

DIRECTOR INDUCTION

An induction process for directors is in place whereby on appointment, they receive recent board and committee documents, information on legal and governance obligations, the Company's Articles of Association and recent reports. In addition to this, new directors' meet with both the CEO and Company secretary to assist them in obtaining an understanding of the operations within the Group. Guidance is also provided on the requirements of the JSE Listings Requirements, King IV™, UK Companies Act.

All directors are expected to keep abreast of trends in the business and in the Group's environment and markets. Site visits to our operations are arranged to familiarise directors with operational and environmental aspects. Experts and consultants are invited to present to directors at board and strategy meetings to ensure directors receive the necessary training and skills to perform their duties.

EXECUTIVE PERFORMANCE

The CEO and certain senior Group executive's performance is assessed by the board on an annual basis through the Company's performance appraisal system whereby performance evaluation is assessed against specific agreed upon performance measures and targets. This is overseen by the Remuneration Committee. Further detail thereof is provided in the Remuneration report on page 107.

The board is satisfied with the competence of the CFO of the wholly-owned subsidiary Tiso Blackstar SA who forms part of the senior Group executives and is responsible for the overall financial management and reporting for the Group as set out in the report of the Audit committee on page 117 of the consolidated financial statements for the year ended 30 June 2019.

COMPANY SECRETARIAT

The Group Company Secretary, Leanna Isaac, is responsible for guiding the chairman and directors, both individually and collectively, on their duties, responsibilities and powers. She also advises on corporate governance, compliance with legislation and the JSE Listings Requirements. The board, having assessed her abilities as part of her recruitment and based on her qualifications, experience and the level of competence she has demonstrated since joining Tiso Blackstar (as required by paragraph 3.84(h) of the JSE Listings Requirements), agreed that Ms Isaac is sufficiently qualified, competent and experienced to act as Company Secretary of Tiso Blackstar. The Company Secretary is not a director of the Company. The board also ensured that the Company Secretary maintained an arm's-length relationship with itself and individual directors.

The board is satisfied that the annual evaluation process improves the performance and effectiveness of the board.

Governance **functional areas**

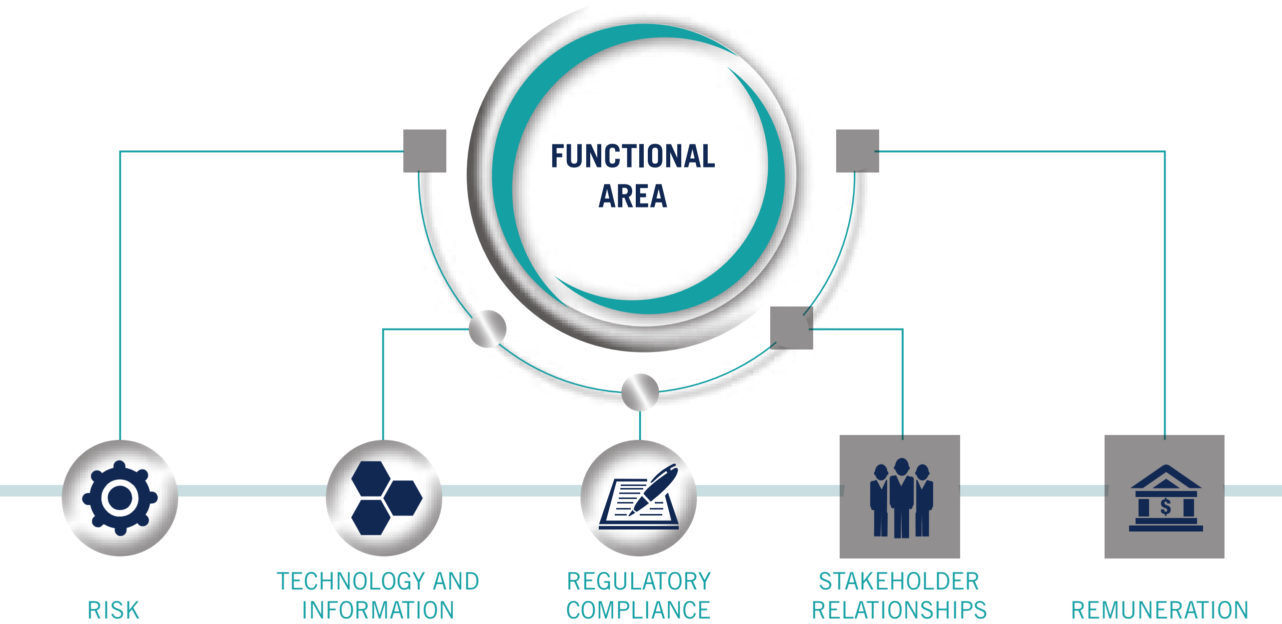
IV

Principle 11, 12, 13, 14, and 15

Desired outcome: Adequate and effective risk, technology and information, compliance, remuneration and assurance governance.

GOVERNANCE FUNCTIONAL AREAS

King IV™ requires disclosure on identified governance functional areas. Our report back on these governance functional areas is integrated into the underlying elements of our integrated annual report. The board and its sub-committees provide oversight of these functional areas.



	Risk	Technology and information	Regulatory compliance	Stakeholder relationships	Remuneration
Reporting element	• Materiality, material risks and opportunities, page 40 • Governance – Risk management and Assurance process, page 86	• Governance – Technology and information, pages 88 to 91	• Governance – Regulatory compliance, pages 92 to 93	• Key relationships/ stakeholder engagement, pages 94 to 95	• Governance – Remuneration report, pages 97 to 111
Sub-committee providing oversight	• Audit committee	• Board	• Board • Audit • Social, Ethics and Transformation committee	• Board • Social, Ethics and Transformation committee	• Board • Remuneration committee

Governance **functional areas** continued

RISK MANAGEMENT AND ASSURANCE PROCESS

Tiso Blackstar and its various businesses have always managed risks, opportunities and assurance in a responsible, prudent and diligent manner.

Our risk management and assurance framework considers the key risks and uncertainties, likelihood of occurrence, likely impact, and mitigation plans. The board via the Audit committee is updated on key risks and developments, and ensures adequate management and oversight through the Group's risk management and assurance framework.

The Audit committee is mandated by the board to establish, coordinate and drive the risk process throughout the Group including development and maintenance of the Group's Risk Management and Assurance Framework.

They have managed this responsibility through employing an experienced [redacted]

AUDIT ASSURANCE

External auditors review the control environment annually as part of their audit work although no specific assurance is given by them on the internal controls. Any deficiencies, errors or fraud that they become aware of are reported back to management. Fraud and material matters are reported back to the Audit committee. In some cases they use a control based audit approach where the operating effectiveness of controls are tested. All material reported items from the 2018 audit report have been addressed by the finance team.

The Group's major subsidiary BHG had an outsourced internal audit function five years ago. When this was assessed by the Audit committee of BHG at the time, it was determined that the outsourced model met the governance checklist, but did not give adequate assurance and was as such not an appropriate use of the Group's resources.

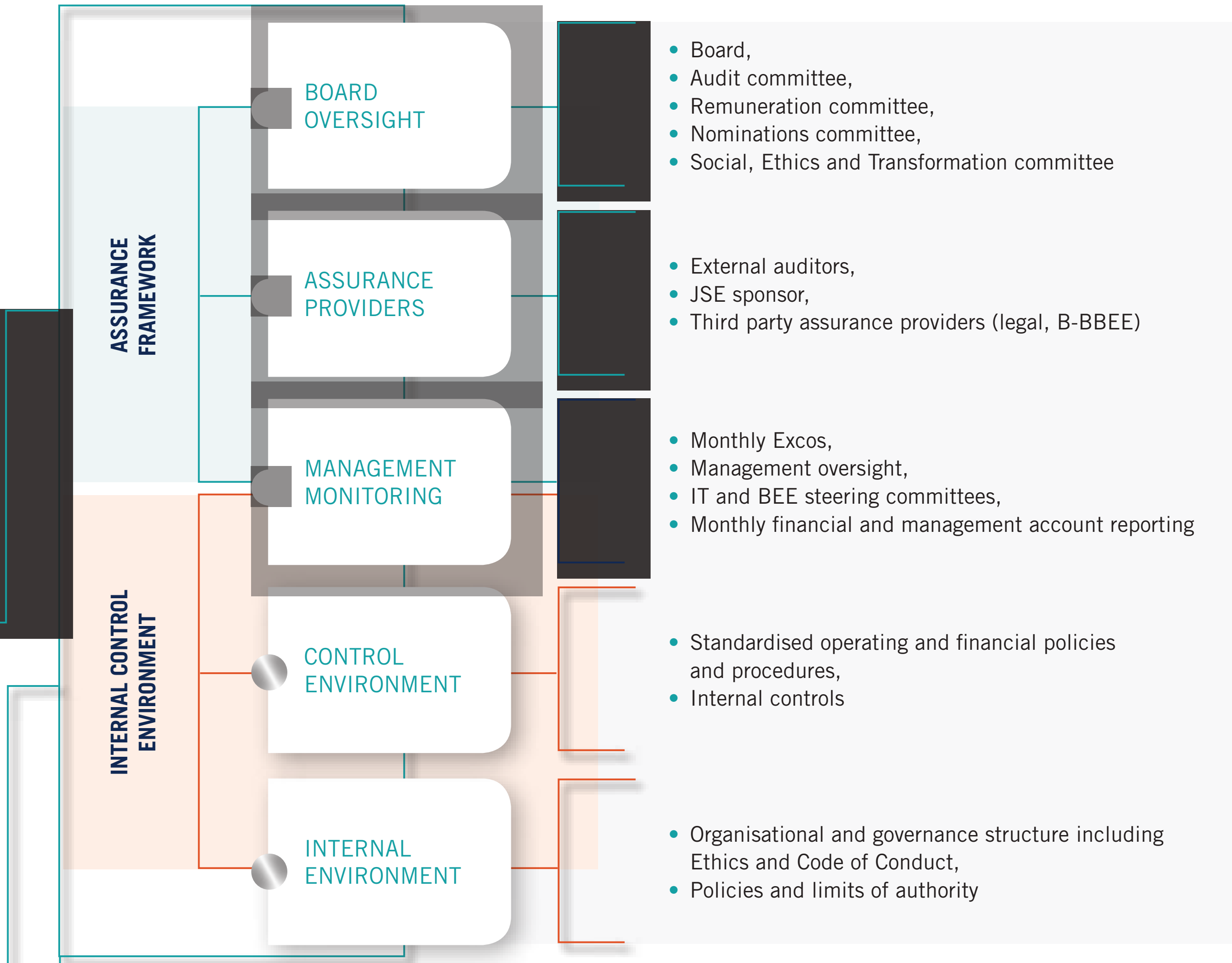
During the current year, the finance team established an internal audit function, which is responsible for implementing a systematic and disciplined approach to evaluate and improve the effectiveness of the Group's governance, risk management and internal control. During the current financial period, the internal audit function engaged in tests of controls of the financial processes relating to the Media division and provided feedback to the Audit committee. The internal audit charter was approved by the board, thereby formalising the mandate, authority and responsibilities of the internal audit function, which includes evaluation and monitoring of the following:

- risk exposure relating to achievement of the Group's strategic objectives;
- the reliability and integrity of information and the means used to identify, measure, classify, and report such information;
- the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the Group;
- the effectiveness and efficiency with which resources are employed;
- the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned;
- governance processes; and
- the effectiveness of the Group's risk management processes.

The board is satisfied that the internal review process has produced information of integrity and reliability.

[redacted]

Our combined risk management and assurance framework is represented in the following diagram:



The combined assurance framework has been put in place to ensure that the Group complies with laws and regulations, meets its reporting requirements and maintains ownership, quality, and control of the Group's assets. It does this by providing oversight and assessment of the Groups internal control environment within the assurance framework.

INTERNAL CONTROL ENVIRONMENT

The internal control environment is designed to provide sufficient information and content of integrity. This information is used to produce internal and external reporting documents to support internal and external decision making processes.

The Group inherited the majority of its control environment from its major subsidiary BHG. These are predicated on the employment of qualified and experienced financial managers across the operations. These financial managers are generally qualified chartered accountants who are knowledgeable about the basic controls and control environments. The Group's financial reporting packs include an acknowledgement of responsibility and sign off as to the adequacy of the basic controls in place by the responsible financial manager.

The directors are responsible for the Group's internal control environment.

The directors have satisfied themselves that the system is adequate in managing and mitigating the risks involved to an acceptable level.

Governance **functional areas** continued

TECHNOLOGY AND INFORMATION GOVERNANCE

A Group Information Technology ("**IT**") Governance Charter has been approved by the board.

This charter formalises the responsibilities and authority of the board and the Executive IT Steering committees for the effective and efficient management of IT resources for the organisation.

There are two Executive IT Steering committees, one for the Hirt & Carter Group and the second for the remaining businesses including Media, Broadcast and Content operations. The committees, which report to senior Group executives, divisional management teams and the Group CEO as well as to the board, are responsible for implementing and enforcing this charter.

The IT Governance Charter specifies the responsibilities of the board and the responsibilities delegated by the board to the Executive IT Steering committees specifically addressing the following responsibilities:

RESPONSIBILITIES

- STRATEGIC – Including development and maintenance of an IT strategy
- ORGANISATIONAL – Including development and maintenance of an IT governance framework
- VALUE DELIVERY
- RESOURCE MANAGEMENT
- RISK MANAGEMENT
- PERFORMANCE MANAGEMENT

The delegation of authority to the Executive IT and BEE Steering committees does not absolve the board from its responsibility.

During the financial year the **Audit committee** identified the following IT related risks:

	RISK	MITIGATION
21	**Cyber-attacks or theft of IT and information infrastructure could result in the Group being unable to operate, deliver its products or services or be liable for losses and be in contravention of the Protection of Personal Information Act, 2013 ("POPI") and General Data Protection Regulation ("GDPR") requirements**	• Resilient IT infrastructure • Testing and control • Management remains constantly aware of any potential regulatory and policy changes that could impact the Group's business • The Group's views and input is presented to the appropriate stakeholders prior to any changes to regulations or policy
22	**Changes in systems and software and automation of functions**	• Adequate planning for system changes • Appointment of implementation team to plan and execute the change over from one system to another • Testing of new systems before going "live"

These risks are effectively managed by the IT Executive Steering committees.

Key areas of focus for 2019

Key objectives for the current reporting period included:

- Further use of Integrated Artificial Intelligence ("AI") in Hirt & Carter's products and services;
- Use of cloud based technologies and storage and the use thereof within the Group;
- Consideration of the Internet of Things ("IoT") and its impact on the Group. IoT refers to the ever-growing network of physical objects that feature an IP address for internet connectivity, and the communication that occurs between these objects and other internet-enabled devices and systems;
- Business to consumer ("B2C") applications;
- Automation of manual processes within certain areas of the business;
- Upgrade of editorial content management solution;
- Implementation of a workflow application for procurement spend;
- Consolidation, integration and centralisation of Tiso Blackstar Wide Area Network and telephony system for the Media operations; and
- Implementation of additional disaster recovery site procedures for specific divisions of the Media, Broadcast and Content businesses.

Governance **functional areas** continued

TECHNOLOGY AND INFORMATION GOVERNANCE continued

The following risks and opportunities were identified by the **Executive IT Steering Committees** during the reporting period:

RISKS

- **Network issues and poor internet service**
- **Ageing hardware with limited support/ maintenance plans available**
- 21 **Growth in attempted cyber-attacks and therefore impacted by potential POPI implications**
- 23 **Certain systems have limited backup solutions**

OPPORTUNITIES

The following opportunities were identified:

[redacted]

MONITORING THE EFFECTIVENESS OF TECHNOLOGY AND INFORMATION MANAGEMENT

The Executive IT Steering committees monitor the effectiveness of their technology and information management through the following actions:

- Network monitoring and management including real-time threat detection, monitoring of server uptime and firewalls;
- Ongoing maintenance and monitoring of Direct Broadcast satellite;
- Regular backups both onsite and offsite and investigation thereof;
- Hardware optimisation including workload sharing; and
- Curation and integration of various data sources to optimise business information and outcomes.

No major incidents related to failure of uninterruptible power supply ("UPS") and internet access which may have hindered continuation of operations.

Focus for the future

The Executive IT Steering committees have planned the following areas of focus for 2020 and thereafter:

- Ongoing use of Integrated Artificial Intelligence in Hirt & Carter's products and services;
- Use of cloud based technologies and storage and the use thereof within the Group;
- Continued consideration of the Internet of Things and its impact on the Group;
- Implementation of business to consumer applications;
- Automation of manual processes within certain areas of the business;
- Updating of IT and social media policies for the Group;
- Automation of financial processes for pre and post approval;
- Increase in the disaster recovery server capacity which will improve disaster recovery and cater for all business applications;
- Disaster recovery tests will be performed in the new financial year;
- Consolidation, integration and centralisation of Tiso Blackstar Wide Area Network and telephone systems;
- Implementation of additional disaster recovery site procedures for specific divisions within the Group;
- Hybrid cloud storage for content and broadcasting;
- Rationalisation of software licenses within the Group;
- Exploring software driven wide area network and virtual switching;
- Renegotiation of WAN contracts for the Group;
- Removal of all Windows 7 workstations in the Group by February 2020.

Governance **functional areas** continued

REGULATORY COMPLIANCE

Being globally situated, Tiso Blackstar is highly regulated and compliance with the regulations is critical to our business.

Tiso Blackstar ensures that the Group complies with all applicable legislation in all countries in which it operates and where possible builds constructive relationships with the regulatory bodies.

The CEO and the executives for each operation are responsible for monitoring regulatory compliance and the Group has developed relationships with relevant third party advisors and experts with whom they may consult, if required, to assist in adopting new legislation and regulations within the Group. The board and the Audit committee are updated with all material changes to legislation and regulations on a regular basis.

The broader trading environment is becoming increasingly complex and is governed by legislation and policies relating to competition, customer protection, privacy, environmental, health and safety, money laundering and labour issues. A number of statutes provide for monitoring and enforcement by regulatory bodies.

Our standards of regulation in the various businesses are in line with global best practice. Furthermore the Group is currently participating in various consultation processes to align our current processes and policies to comply with new and additional requirements.

LOOKING AHEAD

The Company will continue to ensure that the Group complies with all applicable legislation in all countries in which it operates and, where possible, build constructive relationships with the regulatory bodies. Material areas of regulation will continue to be incorporated into the combined assurance framework to ensure that all relevant legislation and regulations continue to be applied and adhered to, using a risk-based approached, including South Africa's B-BBEE compliance requirements.

Key areas of focus for 2019

Included below is a report back for the current financial year focusing on applicable laws, non-binding rules, codes, standards and regulations in all countries of operation including material changes which impacted the Group as well as areas of non-compliance.

Modern Slavery Act, 2015 (section 54)

The Company has published a statement on Modern Slavery. This statement is made pursuant to section 54 of the Modern Slavery Act 2015. The Company is required to ensure that modern slavery or human trafficking does not take place within the organisation. To achieve this, Tiso Blackstar has a zero tolerance approach to any form of modern slavery. The Group is committed to acting ethically, with integrity and transparency in all business dealings and to putting effective systems and controls in place as safeguards.

UK Bribery and Corruption Act, 2010

As a Company incorporated in the United Kingdom and with its registered office in London, The Company is subject to various laws in the UK, which attach to those companies that conduct business, or part of their business, in the UK. This includes the Bribery Act 2010 and the Criminal Finances Act 2017. The Company has engaged Paul Hastings to assist the Group in preparing a Group Anti-Bribery and Corruption Policy to ensure compliance with these Acts. A lot of work has been done to further develop this policy which will be finalised in the 2020 year. This policy will be aligned with what has already been developed in the Group's existing policies.

General Data Protection Regulation and Protection of Personal Information Act, 2013

Due to similarities between GDPR in the European Union (EU) and the POPI Act in South Africa, there is consensus that once the Company is GDPR compliant then it will also be POPI Act compliant. It is generally accepted that there is an 80% overlap between GDPR and the POPI Act. Both the GDPR and POPI Act are principle based pieces of legislation and so data protection is an ongoing activity within the Company and a compliance matter that needs to constantly evolve within our organisation. Data protection needs to become culturally entrenched across all spheres of the business.

Although the Group's trading businesses exposure to the EU market, and consequently exposure to the provisions of GDPR, is very limited, steps have been taken to address many of the GDPR requirements. In 2020, a GDPR GAP analysis will be conducted and further action taken where necessary throughout the businesses.

Other UK regulations applicable to the Company

To comply with UK law, a Group Tax Strategy was developed by the Company and approved by the board and Audit committee in the prior year. No updates or amendments were required to the existing tax strategy document in the current review thereof.

[redacted]

Accounting standards – IFRS

A financial manager workshop attended by all Group financial managers was hosted by the South African head office finance team. At the workshop, Group reporting processes were discussed and additional training provided with respect to completion of Group reporting packs. In addition to this, a workshop was held with independent presenters to discuss new IFRS statements which would need to be implemented by the Group. Refer to note 4 of the consolidated financial statements. The Group head office finance team attended an IFRS 16 training session held by South African Institute of Chartered Accountants ("SAICA") and a task team was assigned to work on the implementation for the entire Group.

Media specific regulatory compliance

- The South African based publishing assets are regulated by the Press Code which is governed by the Press Council of South Africa, an independent co-regulatory mechanism set up by the print and online media to provide impartial, expeditious and cost-effective adjudication to settle disputes between newspapers, magazines and online publications, on the one hand, and members of the public, on the other, over the editorial content of publications;
- The South African based radio assets are subject to the regulations of the licensing authority ICASA, and subscribe to the Broadcasting Complaints Commission of South Africa ("BCCSA"); and
- The film business releases movies subject to the approval of the South African Film and Publications Board.

Hirt & Carter Group – regulatory compliance

In addition to the expected compliance areas for an operational business, details of the additional regulations, standards and codes to which Hirt & Carter Group adhere as a retail solutions business are provided below:

- ISO 22000 is a Food Safety Management System that can be applied to any organisation in the food chain, farm to fork. This standard applies to the Labels and Triumph operations that produce labels and packaging for food products;
- ISO 9001 is the international standard that specifies requirements for a quality management system ("QMS"). Organisations such as the Forms and the First Impression Labels division use the standard to demonstrate the ability to consistently provide products and services that meet customer and regulatory requirements;
- Accreditation via PrintSecure through Print SA. PrintSecure is a security Printing standards and accreditation body under the auspices of, and controlled by, Printing SA (the South African federation for printing and packaging). The global increase in document, product and intellectual property piracy and fraud, the call for improved brand protection and the authentication and tracking of such products had, in 2005, accelerated the need for the accreditation and certification of security printers in South Africa. This accreditation is required by the Labels and Forms operations;
- Hirt & Carter Group is an accredited member of the authoritative printing body, Printing Industry Federation South Africa ("PIFSA"). As a member, they have subscribed to a formal pledge that demonstrates their commitment to integrity, fairness, social responsibility, professionalism and sustainability in everything they do; and
- All businesses within the Hirt & Carter Group are accredited with the FSC®. FSC® certification guarantees customers that the FSC®-labelled product they buy has come from a forest and supply chain that is managed responsibly.

Governance **functional areas** continued

IV

Principle 16
Desired outcome: Trust, sound relationships and organisational legitimacy

STAKEHOLDER MANAGEMENT

We are committed to working with our stakeholders to understand their needs, interests, expectations and concerns, and to integrate these into our business.

This requires us to stay abreast of the ever-changing landscape of relationships among our diverse Group of stakeholders. There are no formal systems and processes but stakeholders are actively engaged with on a regular basis and legitimate issues are considered in our decision-making processes including developing our strategic priorities.

Stakeholder relationships are monitored by both the Social, Ethics and Transformation committee and the board, where matters relating to regulators, customers, communities, employees and unions are reported.

STAKEHOLDERS

GOVERNMENT AND REGULATORS	SHAREHOLDERS AND FUNDING INSTITUTIONS	EMPLOYEES AND UNIONS	CUSTOMERS AND COMMUNITIES
Providers of the enabling operating framework.	Providers of capital that are necessary for current operations and growth.	Produce and deliver our quality content and products to meet our audience and client expectations.	Our media business depends on loyal audiences and communities. Our other business clients expectations need to be met.

KEY RELATIONSHIPS AND STAKEHOLDER ENGAGEMENT

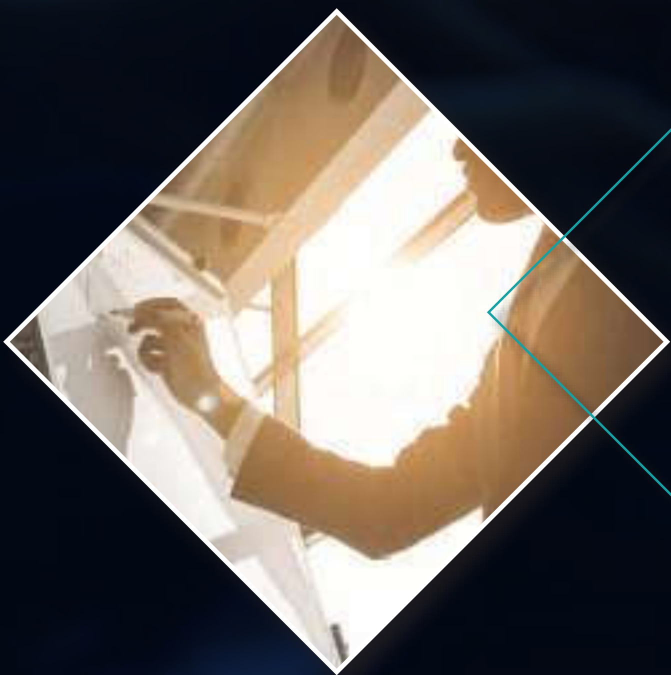
The table below is a summary of the Group's key stakeholders and how they were engaged with during the reporting period.

Stakeholder	How we engage	Why we engage	Actions	Links
GOVERNMENT AND REGULATORS	• Meetings (ad hoc) • Industry associations • Statutory reports • Tax submissions	Ensure long-term viability of the industry by influencing policy development, and meeting the objective of being a good corporate citizen in the jurisdictions the Company operates in Compliance Responsible taxpayers in all jurisdictions in which the Company operates and conducts business Active participation and contribution to industry and working groups	The Marketing and Advertising business is regulated by the South African legislation. Abide by the laws and engage with legislators on proposed changes to the regulatory environment. Produce annually an integrated report, promptly pay taxes, submit statutory reports and attend appropriate meetings and forums.	Regulatory compliance *Refer pages 92 and 93.* Regulatory and tax risk *Refer page 46 to 47.*
SHAREHOLDERS AND FUNDING INSTITUTIONS	• Result presentations and roadshows • Results published in selected media • Website • General meetings and resolution voting percentages	Inform shareholders and debt providers of Company financial performance, risks and opportunities, ethics and governance	Produce annually an integrated report, annual financial results and presentations, posted on the website, published in newspapers and on the JSE stock exchange news service ("SENS"). Produce interim results. Covenant declarations are made to relevant financial institutions as required	Executive Summary *Refer pages 19 to 22.* Financial review *Refer pages 23 to 25.* Transaction *Refer pages 59 to 61.* Capital management risk *Refer page 42 to 43.* Financial risk *Refer pages 44 and 47.* Economic environment report *Refer pages 16 and 17.*
EMPLOYEES AND UNIONS	• Intranet • Newsletters • Management meetings • Workplace forums	Be an employer of choice, provide a positive and motivating working environment, retain the best talent and provide training and development	Employ some of the best and most motivated people in the industry. Keep them engaged through regular communication, remuneration and incentives. Regular training provided.	People review *Refer pages 26 to 29.* *Transformation review* *Refer pages 32 to 35.* *Human Resources risk* *Refer page 46 to 47.* *Remuneration report* *Refer pages 96 to 111.*
CUSTOMERS AND COMMUNITIES	• Surveys • Media articles • Meetings with community leaders • Reader letters, website comments and customer feedback	Engaging directly with audiences, and beyond them into their communities, is pivotal to delivering the quality content that ensures their loyalty. The Company embraces transformation through (among others) delivery in line with B-BBEE legislation.	Editorial teams used social media to engage with audiences on topical issues, share and promote content from their latest digital and print offerings. Conducted surveys on client satisfaction through various channels. Monitored physical and digital content use and trends for media and the retail environment.	Transformation review *Refer pages 32 to 35.* Community review *Refer pages 36 and 37.* Business models • Hirt & Carter Group *Refer pages 54 to 55.* • Media, Broadcast and Content *Refer pages 62 and 63.* Operations risk *Refer page 44 to 45.* IT and information infrastructure risk *Refer page 48 to 49.*

GROUP REMUNERATION REPORT

- Remuneration report
  - Introduction
  - Background
  - Remuneration policy
  - Implementation report

tiso blackstar group.



Remuneration **report**

IV Principle 14
Desired outcome: Adequate and effective remuneration governance

INTRODUCTION

Tiso Blackstar aims to remunerate fairly, responsively and transparently to achieve short, medium and long-term strategic objectives and positive outcomes.

The Remuneration committee operates in line with the board approved Remuneration charter.

The Company's businesses operate in competitive markets and rely on the skills of high calibre people. The Company must be able to retain and incentivise its key employees and align their objectives with those of shareholders.

The Remuneration Report has been drafted with King IV™ in mind. As such, the report contains the following three major sections:

1 BACKGROUND

Provides the context for remuneration considerations and decisions.

2 REMUNERATION POLICY

Includes an overview of the Remuneration Policy including the provisions and objectives of the policy and the remuneration elements.

3 IMPLEMENTATION REPORT

Actual remuneration results based on the implementation of the policy for the current reporting period.

Remuneration **report** continued

1 BACKGROUND

PHILOSOPHY

Tiso Blackstar is committed to fairly remunerating its employees. The Company's businesses operate in competitive markets and rely on the skills of high calibre people. The Company must be able to retain and incentivise its key employees and align their objectives with those of shareholders.

Our philosophy aims to attract and retain top-quality employees, create a performance environment where success is rewarded and maintain Tiso Blackstar's entrepreneurial culture. As a result, consideration is given to total reward and on achieving an appropriate balance between fixed and variable remuneration and short and long-term incentives for all employees, depending on seniority and roles. In addition to this, the Company pays a premium for those who are identified as key to the business. A market positioning exercise was performed utilising the services of an independent consultant and an external database to which the Group subscribes to assess the application of this principle throughout the core business.

The objectives of the Company's Remuneration Policy are to:

- promote the achievement of strategic objectives;
- encourage individual performance and promote positive outcomes; and
- promote an ethical culture and responsible corporate citizenship.

The Company comprises of a board of four non-executive directors and one executive director, being Andrew Bonamour who is the CEO of the Company and the core business. The services, responsibilities and functions traditionally performed by a CFO are provided by the wholly owned subsidiary Tiso Blackstar SA (investment advisor) which has a CFO who is responsible for managing this role. As CEO, Andrew Bonamour exercises general executive control over and management of the whole of the business and activities of the Group. Details of the board of directors of the Company are provided on pages 78 and 79.

FAIR AND ETHICAL PAY FRAMEWORK

Tiso Blackstar is committed to developing, implementing and maintaining a fair, ethical and responsible remuneration dispensation for all employees within our organisation, as encapsulated within the principles set out within the framework.

Tiso Blackstar has a Fair and Ethical Pay Framework in place to document our commitment to fair and ethical remuneration within our organisation. This framework is drafted in line with King IV™ and our existing Remuneration Policy as well as our commitment to transformation. The Remuneration committee is satisfied that the framework is appropriate and addresses fair and ethical remuneration and related matters.

We further commit to implementing the policies and processes detailed in the framework in order to ensure that the remuneration of executive management is fair and responsible in the context of overall employee remuneration in our organisation. Our organisation commits to periodically reviewing the framework to ensure that it remains relevant and appropriate, and in line with fair and ethical remuneration trends in the market and the organisation's values and business strategy. The Framework was reviewed by the board in the current year with no amendments made.

FACTORS INFLUENCING REMUNERATION

The committee regularly reviews current compensation levels and incentive schemes to ensure they remain market related and in line with global trends to align the interest of the Group's senior management and employees to that of the stakeholders. These reviews are performed with the assistance of an independent consultant as well as the use of a benchmarking tools to which the Company subscribes.

The committee and the board are aware that the Group operates in an environment where compensation gaps between lower-paid employees and senior management is a contentious issue. While it is important to acknowledge that executive remuneration is a sensitive matter, the success of the Group is determined largely by the actions of our senior managers, and ultimately all stakeholders benefit when these managers perform well.

The results of the non-binding advisory endorsement of both the Company's Remuneration Policy and relating implementation report at the annual general meeting on 3 December 2018, fell below the required 75.0% threshold in favour impacted by the voting of two large shareholders. As a result of more than 25% of the votes cast against ordinary resolutions 9 and 10, in accordance with paragraph 3.84(k) of the JSE Limited Listings Requirements, Tiso Blackstar invited shareholders who voted against ordinary resolutions 9 and 10 to engage with the Company regarding their views on the Company's remuneration policy and implementation report. Shareholders were requested to forward their concerns or questions via email and as at the date of this report the Company has not received any written correspondence from shareholders on this matter. Tiso Blackstar did engage verbally with the two large shareholders who voted against. One of them subsequently sold their shares prior to them giving more detailed feedback about their reasons for voting against the resolutions. Further disclosure has been added to address the other shareholder's feedback on clarity of executive KPI's and reasons for short term incentives. It is specifically noted that, as disclosed in the Circular, as a result of the Transaction the Remuneration committee resolved to cancel the existing long term incentive scheme (FSP) as it would be inefficient to continue such a complex long-term incentive scheme following departure of the majority of the participants on disposal of TBG SA Group. Furthermore the Remuneration committee post successful conclusion of the Transaction, intend on intend on revisiting the short-term incentive rules to take into consideration the cancellation of the long term incentive scheme.

In the event that 25% or more of shareholders vote against either the remuneration policy or the implementation report at the annual general meeting this year, the Company will engage with such shareholders through dialogue, requesting written submissions or otherwise, in order to address their concerns, always with due regard to meeting the Company's stated business objectives while being fair and responsible toward both the employees and shareholders

REMUNERATION COMMITTEE

The Remuneration committee is satisfied that it acts in an objective and independent manner, and that the Remuneration Policy and philosophy achieve its objectives.

John Mills
Chairman

Composition

- John Mills (chairman)
- David Adomakoh
- Harish Mehta
- Marcel Ernzer
  (resigned 28 November 2018)

Meetings

- The committee met four times during the financial year
- The CEO and the finance senior group executives attend the meetings at the request of the chairman, except when issues relating to their own compensation are discussed.

Material risk categories

REGULATORY AND TAX ENVIRONMENT

HUMAN RESOURCES

FINANCIAL

Stakeholders

EMPLOYEES AND UNIONS

GOVERNMENT AND REGULATORS

Key areas of focus for 2019

During the current year the committee focused on the following planned areas of focus:

- ongoing remuneration benchmarking exercise within key positions in the Group;
- ensuring that the principle of Equal Pay for work of equal value was applied through-out the Group;
- an ongoing review of the average salary increases per level for the Group was performed across all divisions;
- continuous engagement with stakeholders;
- overseeing the performance reviews process between management and employees which focuses on performance, growth, development, training requirements and career employment opportunities;
- ongoing employee development initiatives;
- assessment of the impact of the Transaction on the FSP; and
- overseeing the preparation of, and recommending to the board, the annual remuneration report for inclusion in the Company's Integrated Annual Report.

Where necessary, the Remuneration committee engaged with external advisors to assist with its areas of focus. The committee was satisfied that these advisors were independent and objective.

Areas of focus for 2020

The committee has the following planned areas of focus for the upcoming year:

- ongoing maintenance and refinement of the various policies/processes developed and adopted during 2019;
- further assessment and analysis of remuneration at various operational levels within the remaining business post the Transaction (to be conducted in conjunction with the Human Resources departments);
- to update the Framework to reflect the annual targets for the year ended 30 June 2020 and consider the implications post the restructuring and the Transaction. Targets proposed taking into consideration that not all targets could be achieved for 2019 are:
  – update of the grading system not having taken place;
  – assessment of the average salary increase per level;
  – review of the ongoing engagement with stakeholders;
  – pay for performance review; and
  – review of the ongoing employee development initiatives within the Group;
- in line with the Group and B-BBEE strategy, the focus for the new financial year will be on leadership and development, and succession planning for key positions through coaching and mentoring. This will ensure the Group is proactively working towards creating diversity at senior management levels and creating a talent pool for scarce and critical skills; and
- with the cancellation of the FSP the committee will be looking at necessary amendments to the short term scheme.

Remuneration **report** continued

1 BACKGROUND continued

IMPACT OF THE TRANSACTION

CANCELLATION OF THE FORFEITABLE SHARE PLAN

The Remuneration committee have resolved to cancel the FSP following implementation of the TBG SA Group sale as the participants, who are employed by the entities being disposed of in the TBG SA Group sale comprise the majority of the plan's Participants, and it would therefore be inefficient to continue a complex long-term incentive scheme, such as the FSP, following their departure. Furthermore, the Tiso Blackstar Group will have been restructured and changed considerably post implementation of the restructuring and the Transaction. The Forfeitable Share Plan rules empower the Remuneration committee to terminate the Forfeitable Share Plan at any time without the need for Shareholder approval, but states that Forfeitable Share Awards made before such termination will continue to be valid and will vest in accordance with FSP rules.

VESTING OF AWARDS MADE UNDER THE FORFEITABLE SHARE PLAN

Forfeitable Share Awards made before termination of the FSP will continue to be valid and will vest in accordance with FSP rules. Whilst the termination of the FSP will, in itself, not impact on the awards that were previously made under the plan, the awards made to Media Participants will be impacted by the Transaction. In terms of the FSP Rules all previous awards to Media Participants that have not already vested shall vest as soon as reasonably practicably possible following the TBG SA Group sale and once the Remuneration committee has determined the extent to which the applicable performance or other conditions imposed have been met.

CASH BONUS

The above early vesting of the applicable awards to the Media Participants is expected to reduce the number of shares that would have vested in favour of Media Participants had it not been for the Transaction. In order to compensate Media Participants for this, and to ensure that Media Participants are retained by the Tiso Blackstar Group until the Transaction is implemented, the Remuneration committee determined that a cash bonus be awarded to Media Participants, subject to the successful implementation of the Transaction. Should journalists, editors and other key media staff resign prior to implementation of the Transaction, this could have a serious impact on its successful implementation. The award of such cash bonus is in the discretion of the Remuneration committee and is calculated with reference to the number of unvested Forfeitable Shares under existing awards that would potentially have vested in future, but for the Media Participants ceasing to be employed by the Group due to the Transaction, at a value of R3.72 per share, plus an additional bonus amount.

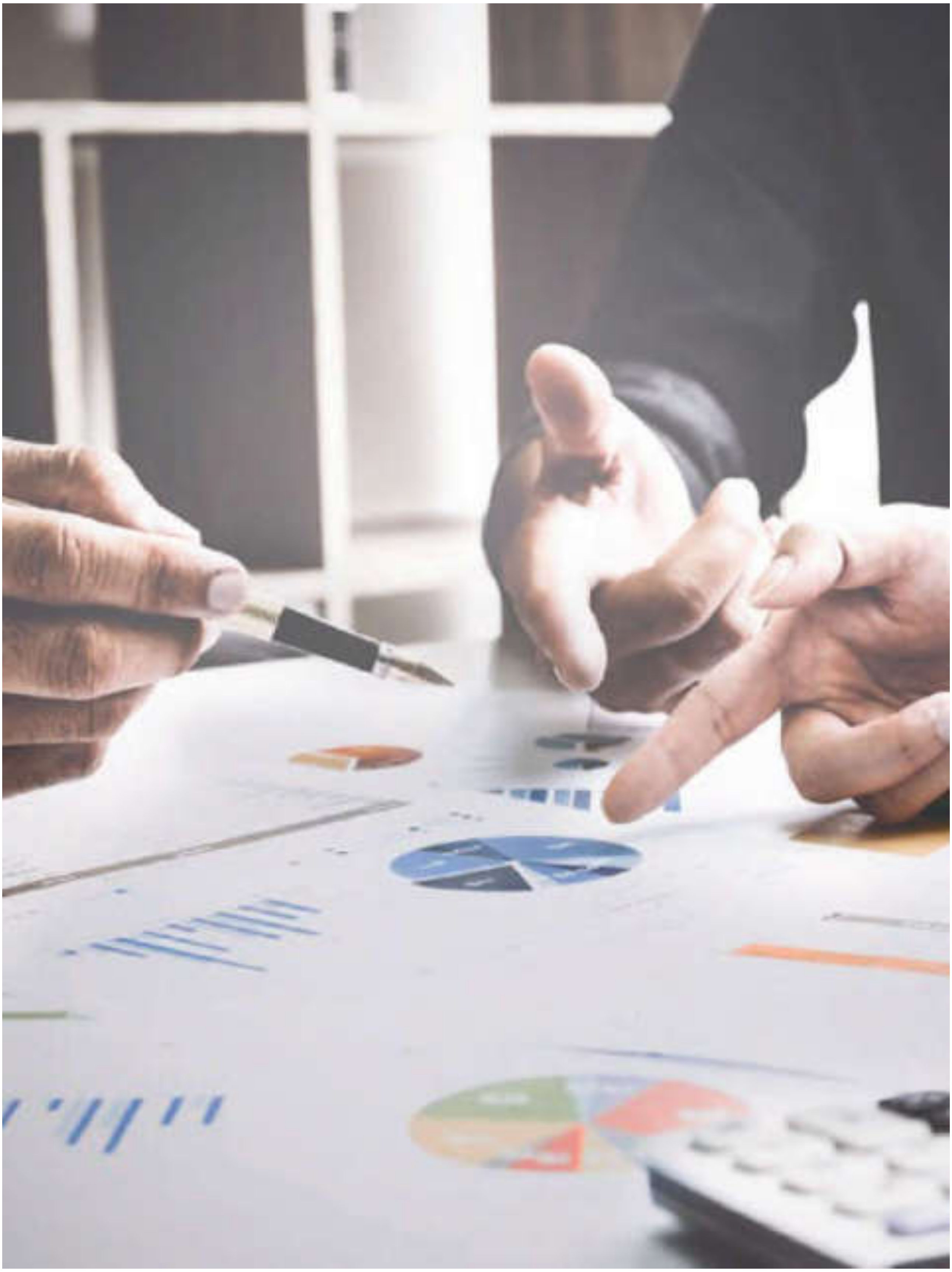
SPECIFIC REPURCHASE

In order to provide Media Participants with an opportunity to dispose of the Forfeitable Shares that will vest as a result of the above at a fixed market-related price, at the General Meeting for shareholders held on 23 October 2019, shareholder approval was obtained for the Company to acquire any of the Media Participants' vested Forfeitable Shares should the Media Participants so elect ("Specific Repurchase"). The Specific Repurchase would involve the repurchase by the Company of the Repurchase Shares, numbering a maximum of up to 2,900,000 Shares, from the proceeds of the Transaction, at the Specific Repurchase Price of R3.72 per Share, being equal to the volume weighted average price of Tiso Blackstar Shares traded on the JSE over the 30 trading days up 31 July 2019.

EXTENSION OF VESTING PERIODS

Following the cancellation of the Forfeitable Share Plan, the Remuneration committee intends to increase the vesting periods of Forfeitable Share tranches that were previously awarded to participants to assist with the retention of staff. The vesting period extension was approved by Shareholders at the general meeting held on 23 October 2019. This will require the consent of each such participant in relation to the extension of the vesting date for his/her Forfeitable Share tranches which have been awarded to date. On implementation of the TBG SA Group sale, the extension would only apply to the remaining participants (being a minority of the current participants, following the exit of the Media participants).

An extension of the vesting periods is expected to benefit all stakeholders (being both the participants as well as the Company and Shareholders) as there would be more time for the anticipated positive impact of the Transaction on the Company's share price to materialise before vesting occurs.



Remuneration **report** continued

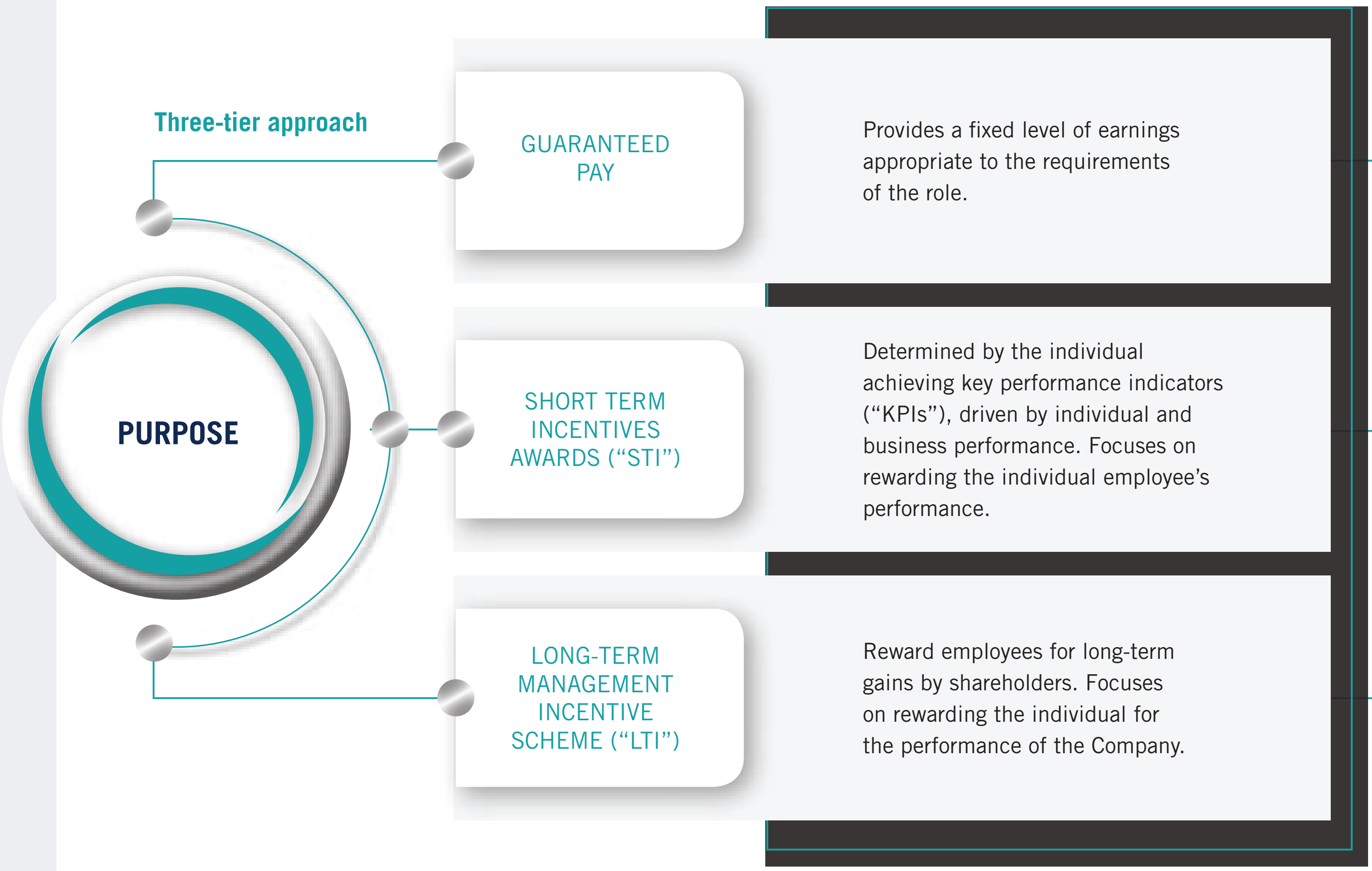
2 REMUNERATION POLICY

The Remuneration Policy is designed to align the interest of management and employees with those of stakeholders by rewarding value creation.

Remuneration must be fair, equitable to contractual services performed, individual and Company success, and in line with the individual's contribution to Group performance. Tiso Blackstar recognises the need to fairly remunerate employees to attract and retain talent. However, it is cognisant of the need to ensure that effective risk management is part of its remuneration consideration, to drive the correct behaviour and avoid exposing the Group to risks beyond its tolerance levels. The Group's remuneration philosophy reinforces the need for the long term growth and success, while promoting sound risk management principles.

As the Company's businesses operate in competitive markets and relies on the skills of high calibre people, it is necessary for the Company to remunerate key individuals accordingly so that they are incentivised and retained within the organisation. In these instances, the Company's philosophy is to target a level of remuneration which provides median to upper quartile earnings.

To meet these requirements, Tiso Blackstar has used a three-tiered approach:



Participation in each of the three tiers is based on an individual's role, seniority and ability to impact the success of the business. The Remuneration Policy combines a guaranteed package with short term and long term incentives to construct a competitive remuneration package that aligns employee performance with the Company's performance.

GUARANTEED PAY

Annual increases to guaranteed pay are considered after taking into consideration inflation and individual performance including KPI achievements. This includes base contractual pay and may include benefits like medical aid, pension, car allowance and other optional benefits. These are reviewed annually and benchmarked against similar market positions. In many of our businesses, external consultants and grading systems facilitate this process.

SHORT-TERM INCENTIVE AWARDS

Our businesses have STIs in the form of a discretionary annual cash incentive bonus for employees and executives to drive key short and medium-term Company objectives.

The performance of employees who participate in this scheme is reviewed annually with the aid of a performance appraisal system whereby individuals are required to set KPIs for the upcoming financial year which, if met, will help achieve the short and medium-term goals of both the business and individual. KPIs include objectives for the financial success (such as profit, cash flow and return on investment) of the Company and business unit, as well as functional objectives of the Company and individual (e.g. transformation, attitude, and work ethic).

At the end of the financial year, a review of KPI achievement is performed by both the individual and reviewer and on this basis the short term incentive is determined for consideration and approval by the relevant senior executives as well as the CEO.

In the prior reporting period, the performance appraisal system for certain senior executives and the CEO was refined to provide a more formulaic approach to determining the proposed STI. The revised performance appraisal form has 3 categories under which the individual's KPIs and performance must be assessed, namely:

1. Strategic initiatives
2. Operational and financial management
3. Personal development and other

At the beginning of the year specific KPIs are set within each of these three categories within a scorecard, each KPI and category carries a predetermined weighting which is based on the roles and responsibilities of the individual.

The performance appraisal forms (including specific KPIs and their weightings) for certain senior executives and the CEO are determined in advance and approved by the Remuneration committee.

On final assessment at the end of the financial year, the scorecard is completed by the reviewer in order to calculate an overall rating out of 5 which is then used to determine the proposed STI using the guidelines detailed below. The review of the CEO's performance appraisal is completed by one of the Remuneration committee members and both the final scorecard and resulting STI considered and approved by the Remuneration committee. The CEO proposes STIs for the senior executives which are considered by the Company's Remuneration committee chairman before obtaining final approval by the Remuneration committee.

The Remuneration committee agreed on the following guideline (based on a rating out of 5) in order to determine the amount of the STI to be awarded to an individual:

Amount of the STI awarded to an individual up to the applicable cap (%)

For the most senior executives, the STI is capped at 200.0% of the total guaranteed pay and remains at the discretion of the Company in all instances. Individuals must be employed at year end to receive the STI.

During the current financial year, the Remuneration committee added an additional clause to the short term incentive award rules which provides the Remuneration committee with the discretion to determine that an employee:

- will forfeit any entitlement or right to receive or be considered for a STI; or
- is required to pay back to the Group any amount(s) previously received by that employee as a STI under this plan,

if that employee is convicted by a court of a crime involving an element of dishonesty or fraud, or a disciplinary committee finds that such employee is guilty of misconduct in connection with his/her employment.

LONG-TERM MANAGEMENT INCENTIVE SCHEME

The Directors believe that the success of Tiso Blackstar will be dependent upon the retention and incentivisation of its management and employees. The Company is constantly in competition with other companies and funds who vie for the talent it has. Tiso Blackstar must be able to retain and incentivise its key employees and align their objectives with those of shareholders. It also requires incentive structures to attract additional key people should the need arise.

During the financial year ended 30 June 2017, the Company adopted a new LTI scheme in the form of a FSP in order to incentivise, motivate and retain the right calibre of employees. The rules of the FSP were approved by the JSE and the Remuneration committee governs the FSP on an-ongoing basis. Non-executive directors are not entitled to participate in the scheme. Historically forfeitable shares are awarded in October/November for the upcoming year. Following the implementation of the Transaction, the Remuneration committee have resolved to cancel the FSP scheme.

Remuneration **report** continued

2 REMUNERATION POLICY continued

Key elements of the FSP prior to amendments arising as a result of the Transaction which were approved by shareholders on 23 October 2019 are described below. Refer to page 61 for details of the amendments.

Key items	Description
Scheme type	Forfeitable share plan
Type of award	**Forfeitable Shares** in the form of performance shares and/or retention shares, registered in the name of the participant subsequent to the award date and held for his benefit, the vesting of which is subject to the fulfilment of the performance condition (if applicable) and/or employment condition. **Performance shares** – regular annual awards, the vesting of which is subject to the satisfaction of performance conditions and continued employment with the Group in line with the Group's approach to performance related incentives. The Remuneration committee sets appropriate performance conditions; or **Retention shares** – only awarded where the Remuneration committee recognise key talent instrumental in delivering the Group's business strategy and vesting of which is only subject to continued employment with the Group ("Employment Condition").
Award period	Granted annually
Award limits	**Overall total Company limit:** total FSP awards limited to 13,414,563 Tiso Blackstar shares. **Individual limit:** FSP award limited to 2,682,913 Tiso Blackstar shares to any 1 participant. **Guideline followed by Remuneration committee in making individual awards:** 15-70% of total guaranteed pay, depending on seniority, responsibility and position (in line with market norms) subject to the ultimate FSP award limit of 2,682,913 Tiso Blackstar shares.
Participants	Limited to executives, senior management and other key employees selected by the Tiso Blackstar board.
Rights of Participants	Once granted, participants become owners of the Forfeitable Shares and have shareholder voting rights and receive dividends from the award date until the vesting date. The Forfeitable Shares cannot be disposed of by the participant prior to the vesting date and will be subject to forfeiture and disposal restrictions until the vesting date.
Conditions	The extent and nature of performance conditions applicable to the performance shares will be approved by the Remuneration committee annually and specifically included in the award letter to participants. Performance conditions are linked to key drivers of share price including earnings growth, return on invested capital and total shareholders returns. Details of performance conditions for shares awarded to date are provided in the table on page 105. The employment condition applicable to all retention shares is the requirement for continued employment of the participant by the company, or any employer company.
Vesting time	3rd anniversary.
Restrictions post vesting	The company expects senior employees to retain a portion of their shares once vested and following the settlement of any tax.
Settlement	Equity.

The details of the Performance Conditions for Forfeitable Shares awarded to date are as follows:

Performance Condition	Weight	Description	Targets
1. Headline Earnings per Share ("HEPS") growth	35% [25%] [**]	HEPS growth is measured by calculating the compounded average growth rate ("CAGR") in HEPS from the base year HEPS (being the HEPS from the financial year preceding the start of the performance period) to the HEPS at the end of the Performance Period, relative to the HEPS growth targets	• **30% Vesting –** CAGR HEPS equal to CPIX* + 1% per annum over the Performance Period • **100% Vesting –** CAGR HEPS equal to CPIX* + GDP% + 3% per annum over the Performance Period
2. Return on Capital Employed ("ROCE")	35% [25%]	• Measured with reference to average ROCE1 achieved over the Performance Period relative to the performance targets. • ROCE – The ratio of EBIT to capital employed (weighted average market capitalisation plus net debt). • WACC = weighted average cost of capital at the Company's targeted debt to equity ratio – WACC for the first award is 12.55%	• **30% Vesting –** ROCE equals average WACC2 over the Performance Period • **100% Vesting –** ROCE equals average WACC over the Performance Period + 3%
3. Other Financial and Non-Financial Performance Measures	30% [25%]	Achievement of strategic and operational financial and non-financial objectives as applicable over the period, including: • working capital management • expense control • cash generation • debt management • transformation • other key metrics including, market share maintenance, circulation stability, content quality maintenance, relationship management and customer satisfaction.	• Working capital relative to budgeted levels. • Expenses relative to budgeted amounts. • Cash Trading Performance conversion ratio of greater than 50% for core businesses over the period. • Debt levels relative to covenants over the period. • B-BBEE rating over the period. • Achievement of other key metrics in line with set targets. Each item will be scored – the achieved score divided by the total available score will generate a vesting percentage (threshold at 30%)
4. Total Shareholder Return ("TSR")**	[25%]	TSR is measured with reference to the CAGR achieved in TSR over the Performance Period relative to the TSR targets. TSR is defined to be the compound annual growth rate on the Company's share purchased on the start date of the Performance Period, holding the share, and reinvesting the dividends received from the share, until the end date of the Performance Period, and then selling the share on that day.	• **30% Vesting –** TSR equals CPIX* +5% • **100% Vesting –** TSR equals CPIX* + 7%

* *Consumer Price index.*

** *For the most senior executives, including the CEO, in addition to 3 stated performance conditions, the first Awards of Performance Shares will also be subject to a 4th additional performance condition, namely Total shareholder return over a three year period. Their corresponding weightings are indicated by square brackets.*

Below the minimum thresholds, there will be zero vesting while Linear Interpolation will be applied to determine vesting for performance between thresholds.

Remuneration **report** continued

2 REMUNERATION POLICY continued

EXECUTIVE EMPLOYMENT CONTRACTS

To reflect their responsibilities appropriately, all executive directors and senior group executives have contracts with Tiso Blackstar or its subsidiaries. The contracts are indefinite and include a notice period of 3 months. Executive directors, prescribed officers and key executives within the Group are subject to a restraint of trade period of 12 months from their date of termination. These contracts are regularly reviewed to ensure they remain aligned with best governance and legislative requirements.

NON-EXECUTIVE DIRECTORS' FEES

Non-executive director appointments are made in terms of the Company's Articles of Association and confirmed initially at the first annual general meeting of shareholders following their appointment, and then at three-year intervals. Non-executive directors are paid a base fee and do not receive fees per meeting attended. This approach of paying a retainer is in line with emerging best practice for listed companies. Non-executive directors do not receive any payments linked to Company performance and do not participate in any of the Company's incentive schemes. Non-executive directors are reimbursed for reasonable travel and subsistence expenses in line with the reimbursement policy for employees.

The Company's Articles of Association state that each of the non-executive directors shall be paid a fee at such rate as may from time to time be determined by the board provided that the aggregate of all fees so paid to non–executive directors shall not exceed six-hundred thousand pounds (£600,000) per annum or such higher amount as may from time to time be decided by an ordinary resolution of the Company.

The Remuneration Committee may propose and approve that an additional fee be paid to non-executive directors ("Additional Non-Executive Fee") in a situation where they are required to work additional hours for the Company in excess of the normal hours expected of them as a non-executive director, or in a situation where they are required go beyond the ordinary duties of a non-executive director at the request of the Company. The total Additional Non-Executive Fee paid during any financial year may not exceed one times the director's annual non-executive fee. The board is required to consider and authorise such payment at the recommendation of the Remuneration committee.

Tiso Blackstar Group SE Remuneration Committee has identified the need for a Non-Executive Director ("NED") Consulting Policy

NON-EXECUTIVE DIRECTORS CONSULTING POLICY

The existing Remuneration Policy has been reviewed and updated to incorporate the Non-executive Directors consulting policy which was approved by the Remuneration committee at their meeting in November 2018 and subsequently approved by the board of Directors. This policy was developed by the Remuneration committee with the assistance of an independent remuneration expert. This policy will be reviewed annually, updated where appropriate and approved by the Remuneration committee.

Salient features of the Consulting Policy are as follows:

- Consulting activities provided by a NED must be clearly shown to be outside of the normal responsibilities of the NED's role and must be where the activity is deemed to be specifically required (i.e. the possibility of using an independent contractor should be considered before utilisation of a NED's services which could impact on their independence);
- such additional activities should not be repetitive or ongoing;
- the Remuneration committee must be notified of the proposed consulting activities/project in advance and it must be agreed upon by the respective NED and the CEO in advance of the project including a budget of the estimated number of hours required for the project;
- the approvals must be provided on a project specific basis;
- consulting activities should be invoiced on a monthly based on the number of hours charged at the pre-approved rate as pre-determined by the Remuneration committee;
- the Remuneration committee considers and approves the set hourly rate an on annual basis which will be determined with reference to the hourly rate for ad hoc activities at approximately 70% of the senior professional service fees (fees paid to lawyers, chartered accountants etc.).

3 IMPLEMENTATION REPORT

The implementation report detailed the outcomes of implementing the approved Remuneration Policy in the current financial year.

EXECUTIVE'S REMUNERATION

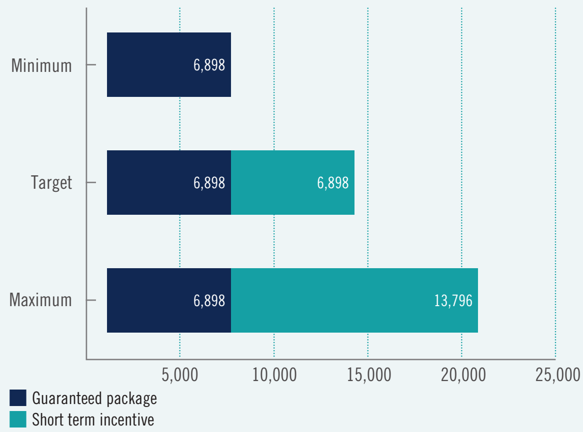
Composition of total remuneration package – CEO

The chart below provides an indication of the remuneration outcomes for the year ended 30 June 2019 for the CEO showing potential total remuneration of maximum, on target and minimum performance levels. Tiso Blackstar does not implement a target approach for the STI, therefore for the purposes of illustration below, 50.0% of maximum is assumed to represent target.

The scenario chart assumes the following:

- **Guaranteed package** – fixed pay and benefits for the year ended 30 June 2019;
- **Short term incentive awards** – based on scheme rules with maximum bonus paid at maximum performance, 50.0% of maximum bonus is assumed to represent target and nil bonus below threshold performance; and
- **Long term incentive awards** – excluded from the chart.

Chief Executive Officer (Value of package R'000)



Scorecard
Andrew Bonamour

Category	Weighting %	Scoring: Score (1 to 5)	Scoring: Weighted score out of 5	Overall score: %	Overall score: Weighted score out of 5
1 Strategic initiatives	**100%**		**2.63**	**60%**	**1.58**
a. Disposal of non-core assets	45%	2.50	1.13		
b. Unlock shareholder value	35%	2.00	0.70		
c. Overall executive responsibility for negotiation and execution of strategic decisions in respect of new acquisition opportunities	20%	4.00	0.80		
2 Operational and financial management	**100%**		**4.25**	**25%**	**1.06**
a. Overall executive responsibility for Tiso Blackstar Group and subsidiaries including management of core businesses	50%	4.50	2.25		
b. Budgets, cash flow, expense and working capital management (within budget, direct and review	40%	4.00	1.60		
c. Reporting to Board and Shareholders (effective, accurate and timeous)	10%	4.00	0.40		
3 Personal development and other	**100%**		**3.78**	**15%**	**0.57**
a. Continued contribution to transformation	45%	3.50	1.58		
b. Develop succession planning in key positions throughout the group	35%	4.00	1.40		
c. Personal development	20%	4.00	0.80		
Total overall score				**100%**	**3.21**

Utilising the refined performance appraisal framework as documented in the Remuneration Policy section of this report, the Remuneration committee's assessment of performance for the **three categories per the scorecard used to determine the STI award**. As the transaction was not unconditional at 30 June 2019, the consideration thereof was not taken into account in assessing the achievement of the KPIs.

The **weightings for the specific KPIs** set for the year ended 30 June 2019 and resulting scorecard.

The resulting **STI award** in respect of the financial year ended 30 June 2019 is detailed in the single figure reporting table and is to be paid during the 2020 financial year.

Remuneration **report** continued

3 IMPLEMENTATION REPORT continued

LTI – FSP

Details of the Forfeitable Shares awarded under the FSP since inception are detailed below:

As noted on page 61, the Remuneration Committee cancelled the FSP in accordance with the FSP rules in that no further forfeitable share awards will be made whilst Tranches 1, 2 and 3 will vest in accordance with the amended FSP rules, no further tranches will be issued.

	Award period to which grant relates, financial year ended 30 June	Grant date	Strike price[1] R
2019			
Executive Director			
Tranche 1	**2017**	**30 June 2017**	**9.31**
Tranche 2	**2018**	**29 November 2017**	**8.99**
Tranche 3	**2019**	**31 October 2018**	**3.10**
Executives, Management and employees of the company and its core Subsidiaries			
Tranche 1	**2017**	**30 June 2017**	**9.31**
Tranche 2	**2018**	**29 November 2017**	**8.99**
Tranche 3	**2019**	**31 October 2018**	**3.10**
Total			
Tranche 1	**2017**	**30 June 2017**	**9.31**
Tranche 2	**2018**	**29 November 2017**	**8.99**
Tranche 3	**2019**	**31 October 2018**	**3.10**

	Award period to which grant relates, financial year ended 30 June	Grant date	Strike price[1] R
2018			
Executive Director			
Tranche 1	2017	30 June 2017	9.31
Tranche 2	2018	29 November 2017	8.99
Executives, Management and employees of the company and its core Subsidiaries			
Tranche 1	2017	30 June 2017	9.31
Tranche 2	2018	29 November 2017	8.99
Total			
Tranche 1	2017	30 June 2017	9.31
Tranche 2	2018	29 November 2017	8.99

[1] *Strike price is the Tiso Blackstar quoted share price on the date the Forfeitable Shares were granted.*
[2] *Value of award on grant date calculated as the number of Forfeitable Shares awarded multiplied by the Strike price.*
[3] *Fair value of the award on grant date is calculated by an independent party on award date using the Monte-Carlo simulation model. This value will not change from period to period.*

Reconciliation of Forfeitable Shares								
Opening balance of Forfeitable Shares Number	Awards granted Number	Awards forfeited/ lapsed Number	Awards vested Number	Closing balance of Forfeitable Shares Number	Value of award on grant date[2] R'000	Fair value of the award on grant date[3] R'000	Cash value on settlement during the year[4] R'000	Closing estimated fair value of the award at year end[5] R'000
443,468	–	–	–	443,468	4,129	2,261	–	1,698
556,480	–	–	–	556,480	5,003	3,105	–	2,131
–	1,192,259	–	–	1,192,259	3,696	2,690	–	4,566
					12,827	8,056	–	8,396
2,515,310	–	(182,276)	–	2,333,034	23,916	10,619	–	9,839
3,371,978	–	(320,686)	–	3,051,292	31,101	16,472	–	13,250
–	4,918,550	(214,023)	–	4,704,527	15,248	11,097	–	18,838
					70,265	38,188	–	41,927
2,958,778	–	(182,276)	–	2,776,502	28,045	12,880	–	11,537
3,928,458	–	(320,686)	–	3,607,772	36,104	19,577	–	15,381
–	6,110,809	(214,023)	–	5,896,786	18,944	13,787	–	23,404
					83,092	46,244	–	50,323

Reconciliation of Forfeitable Shares								
Opening balance of Forfeitable Shares Number	Awards granted Number	Awards forfeited/ lapsed Number	Awards vested Number	Closing balance of Forfeitable Shares Number	Value of award on grant date[2] R'000	Fair value of the award on grant date[3] R'000	Cash value on settlement during the year[4] R'000	Closing estimated fair value of the award at year end[5] R'000
443,468	–	–	–	443,468	4,129	2,261	–	1,907
–	556,480	–	–	556,480	5,003	3,105	–	2,393
					9,132	5,366	–	4,300
2,568,881	–	(53,571)	–	2,515,310	23,916	10,619	–	10,816
–	3,459,493	(87,515)	–	3,371,978	31,101	16,472	–	14,500
					55,017	27,091	–	25,316
3,012,349	–	(53,571)	–	2,958,778	28,045	12,880	–	12,723
–	4,015,973	(87,515)	–	3,928,458	36,104	19,577	–	16,893
					64,149	32,457	–	29,616

[4] *Cash Value on Settlement during the year is calculated as the number of Forfeitable Shares which vested multiplied by the quoted Tiso Blackstar share price on vesting date. No Forfeitable Shares have vested.*

[5] *Closing estimated fair value of the award at year end is calculated as the closing number of Forfeitable Shares at year end multiplied by the quoted Tiso Blackstar share price at 30 June 2019 year end of R3.83 (2018: R4.30). This value assumes 100% vesting of the initial award at on-target performance for all vesting conditions and therefore does not take into account any changes to market and non-market conditions.*

Remuneration **report** continued

3 IMPLEMENTATION REPORT continued

NON-EXECUTIVE DIRECTORS' REMUNERATION

	Non-executive directors' fees[1] R'000	TIH Consulting and Settlement fee[2] R'000	SAI Consulting and Settlement fee[3] R'000	Total R'000
30 June 2019				
David Adomakoh	**815**	**1,639**	**4,291**	**6,745**
Nkululeko Sowazi	**727**	**1,639**	**4,291**	**6,657**
John Mills[4]	**730**	**–**	**–**	**730**
Marcel Ernzer[5]	**315**	**–**	**–**	**315**
Harish Mehta	**736**	**–**	**–**	**736**
	3,323	**3,278**	**8,582**	**15,183**
30 June 2018				
David Adomakoh	769	1,341	3,181	5,291
Nkululeko Sowazi	694	1,341	3,181	5,216
John Mills[4]	735	–	–	734
Marcel Ernzer[5]	665	–	–	665
Harish Mehta	685	–	–	685
	3,548	2,682	6,362	12,592

1 *Non executive directors fees includes fees paid for the non-executive directors services on the board and board committees and are fixed in Pounds Sterling and is inclusive of Value Added Tax and payroll related company contributions if applicable.*

2 *In terms of the agreement between Tiso Investment Holdings Proprietary Limited ("TIH") and Tiso Blackstar SA, consulting services are provided to Tiso Blackstar SA for assistance in origination of transactions and the ongoing management of KTH for a fee of R223,500 excluding Value Added Tax per month. The parties agreed to terminate this agreement on 30 June 2019 in accordance with the terms as set out in the consulting agreement and a settlement fee of R595,486 will be paid in lieu of the cancellation. The settlement amount shall be payable: after 30 June 2019; upon or after the settlement of the debt that was raised to fund the acquisition of KTH; and upon the Remuneration committee establishing and resolving that the Group has sufficient available cash to pay the settlement amount. Tiso Blackstar Directors David Adomakoh and Nkululeko Sowazi are beneficially interested in this shareholding as each of them indirectly owns 50% of TIH.*

3 *In terms of the agreement between SAI Holdings Limited ("SAI") and the company, consulting services are provided to the Company for assistance in origination of transactions within the African continent for a fee of $500,000 per annum, payable in quarterly instalments (2018: $500,000). The parties agreed to terminate this agreement on 30 June 2019 in accordance with the terms as set out in the consulting agreement and a settlement fee of $111,015 will be paid to SAI In lieu of the cancellation. The settlement amount shall be payable: after 30 June 2019; upon or after the settlement of the debt that was raised to fund the acquisition of KTH; and upon the Remuneration committee of Tiso Blackstar establishing and resolving that the Group has sufficient available cash to pay the settlement amount. David Adomakoh and Nkululeko Sowazi are beneficially interested in this shareholding as each of them directly owns 50% of SAI.*

4 *All director fees paid to John Mills are payable to Maitland, Luxembourg S.A.*

5 *All director fees payable to Marcel Ernzer with effect from 1 July 2018 are payable to Taxirent SA Societe Anonyme. Marcel Ernzer resigned effective 28 November 2018.*

EXECUTIVE REMUNERATION

Single figure remuneration reporting

Executive director of the Company (CEO) Andrew Bonamour[1]

	30 June 2019 R'000	30 June 2018 R'000
Total guaranteed pay	**7,006**	6,442
– Gross remuneration[2]	**6,502**	5,901
– Benefits[3]	**504**	541
STI earned based on KPI's set by Remuneration committee – current cash STI in respect of 2018 paid in 2019[4a]		5,110
STI earned based on KPI's set by Remuneration committee – current cash STI in respect of 2019 paid in 2020[4b]	**2,017**	
LTI earned – cash equivalent of Forfeitable Shares which vested under FSP[5]	**–**	–
Dividends earned on unvested FSP shares awarded	**–**	–
Malus/Claw back and forfeiture of prior awards	**–**	–
Retention and/or termination payments	**–**	–
Regulatory contributions[7]	**333**	349
Total single figure remuneration	**9,356**	11,901
Less: STI earned based on KPI's set by Remuneration committee – current cash STI in respect of 2018 paid in 2019[4a]	**–**	(5,110)
Less: STI earned based on KPI's set by Remuneration committee – current cash STI in respect of 2019 paid in 2020[4b]	**(2,017)**	–
Add: STI earned based on KPI's set by Remuneration committee – prior year cash STI in respect of 2018 paid in 2019[4a]	**5,110**	–
Add: STI earned based on KPI's set by Remuneration committee – prior year cash STI in respect of 2017 paid in 2018[4c]	**–**	9,538
Total cash equivalent value of remuneration	**12,449**	16,329
Add: Dividends earned on unvested FSP shares awarded[6]	**–**	–
Directors remuneration per financial statements – refer to note 42	**12,449**	16,329

[1] *Andrew Bonamour is the chief executive officer of the Company and wholly owned subsidiaries Tiso Blackstar SA and BHG for both the current and prior reporting periods. Fluctuations from 2018 to 2019 arise as a result of foreign exchange as his salary for his position as CEO of the Company is fixed in Pounds Sterling. There was no increase in salary from 2018 to 2019.*

[2] *Gross remuneration paid by the Company and its subsidiaries BHG and Tiso Blackstar SA.*

[3] *Benefits include medical aid and motor vehicle allowance.*

[4a] *STI award – Discretionary annual cash incentive bonus awarded by the Remuneration Committee based on the achievement of KPI's set by the committee in respect of performance for the financial year ended 30 June 2018, paid in the 2019 year.*

[4b] *STI award – Discretionary annual cash incentive bonus awarded by the Remuneration Committee based on the achievement of KPI's set by the committee in respect of performance for the financial year ended 30 June 2019, paid in the 2020 year.*

[4c] *STI award – Discretionary annual cash incentive bonus awarded by the Remuneration Committee based on the achievement of KPI's set by the committee in respect of performance for the financial year ended 30 June 2017, paid in the 2018 year.*

[5] *LTI award – includes the cash equivalent of the Forfeitable Shares which vested under the FSP, calculated as the number of Tiso Blackstar shares which vested multiplied by the quoted Tiso Blackstar share price at vesting date. The first vesting date under the scheme takes place in October 2019 (in the 2020 financial year), therefore nil in both the current and prior year.*

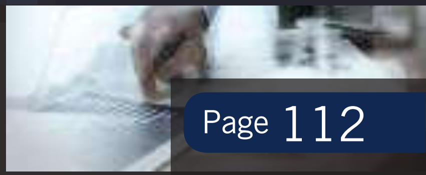
[6] *Includes dividends earned on unvested Forfeitable Shares, net of South African Dividends Withholding Tax at 20%. Although the Forfeitable Shares have not yet vested, once granted, participants become owners of the Forfeitable Shares, have shareholder voting rights and receive dividends from the award date until the vesting date.*

[7] *Regulatory contributions include payments made by the employer in respect of Skills Development Levy (SDL), Unemployment Insurance Fund (UIF) and Compensation for Occupational Injuries and Diseases (COIDA) in South Africa, and National Insurance in the UK.*

CONCLUSION

The Remuneration committee concluded that the Tiso Blackstar Remuneration Policy has been complied with.

Full set of consolidated AFS, including reports from the Audit committee, Directors and Auditors



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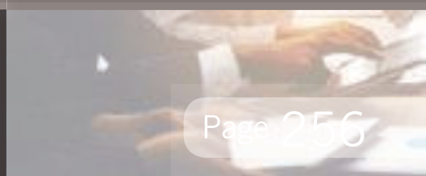
Analysis of shareholders and documentation for the attention of shareholders



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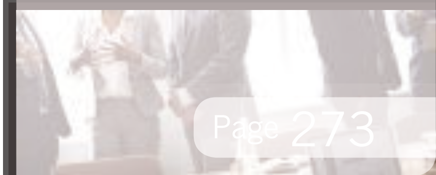

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Directors' **report**

The Directors present their report for Tiso Blackstar Group SE (registered number SE000110) a company limited by shares together with the audited financial statements for the year ended 30 June 2019.

NATURE OF BUSINESS

The Company is incorporated in England and Wales and has its registered office and principal place of business at Berkeley Square House, Berkeley Square, Mayfair, London, W1J 6BD, United Kingdom. The Company has a primary listing on the JSE Main Board. There have been no material changes in the nature of the Group's business from the prior year other than as mentioned in the consolidated annual financial statements.

STATE OF AFFAIRS AND LOSS FOR THE YEAR

The financial results of the Group for the year are set out in the consolidated annual financial statements and accompanying notes thereto.

RISK MANAGEMENT

The determination of materiality and details of the Group's material risks and opportunities are provided on pages 40 to 49.

Details of the financial risk management objectives and policies of the Company and its subsidiaries are contained in note 36 of the consolidated financial statements.

GOING CONCERN

The board has reviewed the working capital requirements of the Group along with the Group's funding requirements from the date of the approval of the Integrated Annual Report, and has found that the Group will remain a going concern for at least the next twelve months and has concluded has adequate resources to continue into the foreseeable future. In coming to this conclusion, the board performed a detailed review of the Group's liquidity and solvency position taking into account all possible future cash flows and scenarios including the impact of the Transaction which is to be successfully concluded in the next few months. Refer to note 41 of the consolidated annual financial statements for further details on the assessments and sensitivity testing performed by the board.

The board is not aware of any material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern.

MOVEMENT IN TREASURY SHARES

During the current financial year, the Company repurchased a total of 450,599 (2018: 1,995,542) Tiso Blackstar shares in the open market at an average price per share of R2.97 (2018: R4.90) and a total cost of R1.3 million (2018: R9.8 million).

The Company awarded 6,110,809 (2018: 4,015,973) forfeitable shares, subject to achievement of performance conditions, under the long term Management Incentive Scheme for the year ended 30 June 2019 (refer note 24). The first tranche of 3,012,349 shares was issued in June 2017 out of the Company's treasury reserves, while the second tranche of 4,015,973 shares was a fresh share issue in November 2017, as there were no treasury shares available. Of the third tranche of 6,110,809 shares issued in October 2018, 2,664,950 shares were issued out of treasury reserves and 3,445,859 as a fresh share issue. 716,985 (2018: 141,086) shares were surrendered during the current year.

The awards under the long term Management Incentive Scheme (refer note 43) were issued as a fresh share issue and/or from treasury shares but are not considered as issued for IFRS purposes.

SUBSEQUENT EVENTS

A summary of the subsequent events are as follows:

- The Circular detailing the Transaction, the Specific Repurchase, the Capital Reduction, and convening an Extraordinary General Meeting, was approved by shareholders on 23 October 2019;
- The TBG SA Group sale was concluded on 5 November 2019 and the proceeds, net of debt and bank overdrafts, was utilised to settle the KTH acquisition debt, GBF and a portion of the Hirt & Carter Group debt. The Africa Radio sale and SA Radio sale are expected to be concluded in December 2019 and April 2020, respectively;
- The Remuneration committee's decision on the following with regards to the FSP: following the disposal of TBG SA Group to cancel the FSP in that no further FSP awards will be issued; extend the vesting date of FSP awards under the FSP Rules for staff who remain as part of the Tiso Blackstar Group (this was approved by shareholders at the Extraordinary General Meeting); and a cash bonus being awarded by the Remuneration committee to the staff employed by the businesses being disposed of ("Media Participants") to compensate them for the early exit of the FSP and to ensure retention of key staff;
- Media Participants will have an opportunity to dispose of the FSP shares that will vest at a fixed market-related price of R3.72 under a Specific Repurchase by the Company;
- In order to increase the Company's distributable reserves so as to enable the Specific Repurchase to occur, it will be necessary to reduce the Company's share premium account by way of a Capital Reduction, so that it can be converted to distributable reserves for the Specific Repurchase ("Capital Reduction"). The Capital Reduction requires the approval of shareholders by way of a special resolution which was obtained at the Extraordinary General Meeting, as well as court approval under the UK Companies Act;
- Management has entered into an agreement whereby the contingent consideration due to the previous shareholders of BBS will be reduced by R13.0 million to R55.0 million payable in three tranches; and
- Per the announcement released on 2 October 2019, in September 2019 the Robor board and shareholders voted to put Robor into voluntary liquidation. The investment in associate and all relating loans were impaired to nil at 30 June 2019.

Directors' **report** continued

Refer note 45 of the consolidated annual financial statements for events occurring after the balance sheet date. The directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with within the financial statements that would affect the operations or results of the Group significantly.

SHARE CAPITAL

There were no changes to the Company's authorised and issued share capital during the year under review, other than the issue of 3,445,859 shares under the FSP (which are not considered issued for IFRS purposes).

CHARITABLE AND POLITICAL DONATIONS

Although the Company does not make, and does not intend to make any donations to political parties or any election candidates within the normal meaning of these expressions, the concept of a political organisation under the UK Companies Act is very broad. Therefore, in accordance with corporate governance best practice, the board seeks shareholders' authority at each Annual General Meeting for any donations or expenditure that could, under the broad interpretation of the UK Companies Act, be considered to be political donations and political expenditure. The Company has decided upon a cap on the aggregate amount of political donations and expenditure at £90,000, in case any of the Company's normal activities are caught by the legislation.

There have been no donations made during the current year (2018: nil).

ASSOCIATES AND SUBSIDIARIES

Refer note 17 of the consolidated annual financial statements for details of associates, note 25 of the consolidated annual financial statements for details of subsidiary companies with material non-controlling interests and note 16 to the consolidated annual financial statements for details of subsidiaries.

DIRECTORATE

The directorate during the year under review was as follows:

Non-executive

David Kwame Tandoh Adomakoh (Chairman)
Nkululeko Leonard Sowazi

Independent non-executive

John Broadhurst Mills (Lead independent)
Harishkumar Kantilall Mehta
Marcel Ernzer – Resigned 28th November 2018

Executive

Andrew David Bonamour (CEO)

Directors' emoluments

Refer note 42 of the consolidated annual financial statements for details of the Company's directors emoluments.

Company Secretary

The secretary of the Company is Mrs Leanna Isaac. Mrs Isaac's business and postal addresses, which are also the Company's registered addresses, are set out below:

Business and Postal address:

Berkeley Square House
Berkeley Square, Mayfair
London, W1J 6BD
United Kingdom

AUDITORS

Deloitte LLP and Deloitte & Touche will continue in office in accordance with Section 139 of the UK Companies Act until the forthcoming AGM.

MAJOR SHAREHOLDERS AND SHAREHOLDER ANALYSIS

The Company's largest shareholder is Tiso Investment Holding Proprietary Limited which owns 18.5% of the Company's issued shares (excluding treasury shares). Refer to page 257 of this annual report for a detailed analysis of the Company's shareholders.

The Company's current Directors (all of whom are Non-executive Directors, with the exception of Andrew Bonamour who is CEO) and management of Tiso Blackstar had the following beneficial interests in the ordinary share capital of the Company as at the date of this report:

	Direct beneficial 2019	Indirect beneficial 2019	Number of ordinary shares 2019	Direct beneficial 2018	Indirect beneficial 2018	Number of ordinary shares 2018
Directors of the Company:						
David Adomakoh[1]	–	**25,393,768**	**25,393,768**	–	26,893,768	26,893,768
Andrew Bonamour[2]	**2,192,207**	**11,568,080**	**13,760,287**	999,948	7,881,980	8,881,928
John Mills	–	**761,328**	**761,328**	–	761,328	761,328
Nkululeko Sowazi[1]	–	**25,393,768**	**25,393,768**	–	26,893,768	26,893,768
Harish Mehta[3]	–	**6,570,206**	**6,570,206**	–	6,570,206	6,570,206
Marcel Ernzer[4]	–	–	–	–	–	–
Management of Tiso Blackstar[5]	–	**24,248,327**	**24,248,327**	–	14,621,762	14,621,762
Total	**2,192,207**	**93,935,477**	**96,127,684**	999,948	83,622,812	84,622,760

Notes:

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 effective 28 June 2019, whereby certain members of Tiso Blackstar management (including Andrew Bonamour) established a special purpose vehicle ("SPV"), to, inter alia, acquire 3,000,000 shares from Tiso Investment Holdings (RF) Proprietary Limited, an associate of David Adomakoh and Nkululeko Sowazi, and 6,000,000 shares from the Tiso Foundation Charitable Trust. David Adomakoh and Nkululeko Sowazi indirectly own 50% of Tiso Investment Holdings (RF) Proprietary Limited each, and are therefore considered to have indirect beneficial interests in this shareholding.*
2. *Includes shares held by funds associated with Andrew Bonamour as well as Forfeitable shares issued under the Tiso Blackstar shareholder approved long term incentive scheme. This is a forfeitable share plan and to date none of the shares awarded have vested. The indirect beneficial interest of Andrew Bonamour increased from 7,881,980 shares to 11,568,080 shares, as a result of the acquisition of an effective interest in 3,600,000 shares representing 40% of the 9,000, 000 shares acquired by the SPV and further 86,100 shares purchased by associates.*
3. *These shares are held by trusts associated with Harish Mehta.*
4. *Marcel Ernzer resigned from his position as a non-executive director effective 28 November 2018.*
5. *Excludes shares held by Directors of the Company (and their associated funds) already reflected within the table. Includes Forfeitable shares issued under the Tiso Blackstar shareholder approved long term incentive scheme. This is a forfeitable share plan and to date none of the shares awarded have vested. This also includes 5,400,000 shares acquired by certain Tiso Blackstar management through the SPV.*

No Director has options to purchase shares in the Company.

No Director has any direct interests in the shares of any of the subsidiary companies.

There have been no changes to Directors' interests between year end and the date of this report.

Qualifying professional liability insurance for the benefit of the Directors was in force during the financial year and at the date of this report.

Biographical details of all current Directors are to be found within the Directorate on pages 78 to 79.

The Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group and Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

The confirmation is given and should be interpreted in accordance with the provisions of s418 of the UK Companies Act.

AD Bonamour
Chief Executive Officer
12 November 2019

DKT Adomakoh
Non-executive Chairman

Directors' **statement of responsibilities**

The Directors are required by the UK Companies Act to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as endorsed for use by the European Union ("EU IFRS") and IFRS as issued by the IASB, and under Company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for that period. The Directors are also required to prepare financial statements in accordance with the Listing Requirements of the JSE Limited and SAICA Pronouncements as issued by the Financial Reporting Standards Council.

In preparing the Group and Company financial statements, the Directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with EU IFRS and IFRS;
- selecting and applying appropriate accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- making accounting estimates that are reasonable in the circumstances; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the UK Companies Act. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair value view of the assets, liabilities, financial position and profit or loss of the Group and Company's and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal and uncertainties that they face;
- and the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

By order of the board

AD Bonamour
Chief Executive Officer
12 November 2019

DKT Adomakoh
Non-executive Chairman

Certificate of the **Company Secretary**

I hereby certify that Tiso Blackstar Group SE has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the UK Companies Act. All such returns are true, correct and up to date.

Leanna Isaac
Company Secretary
12 November 2019

Audit **committee report** continued

The Tiso Blackstar Group SE Audit committee is pleased to present its report. The report is prepared in accordance with the recommendations of King IV, the JSE Listings requirements and the requirements of the Companies Act 2006 of the United Kingdom.

The report, together with the Audit committee report back on page 81 describes how the Audit committee has discharged its responsibilities in respect of the financial year ended 30 June 2019.

COMMITTEE MANDATE AND TERMS OF REFERENCE

In terms of the Companies Act 2006 of the United Kingdom and in accordance with the JSE Listing Requirements in South Africa, the Audit committee reports that it has adopted formal terms of reference, and that it has discharged all of its responsibilities for the year in compliance with the terms of reference. This is a statutory committee with an independent role. It is accountable to both the board and shareholders. Refer to page 81 for the Audit committee structure and report back including an overview for both the current and prior year.

STATUTORY DUTIES

The Audit committee is satisfied that in respect of the financial year it has performed all the functions required by law to be performed by an audit and risk committee, in terms of the committee's terms of reference and as set out in the corporate governance report. The overall Audit committee performance for the current reporting period has been good with all focus areas rated relatively well. The Audit committee endeavours to deal effectively with matters needing specialised or focused attention.

In this connection, and with specific regard to the preparation of the annual financial statements, the Audit committee has:

- Ensured and satisfied itself that the appointments of the external auditors, the designated auditor and IFRS adviser are in compliance with the UK Companies Act and the JSE Listings Requirements;
- Evaluated and is satisfied with the quality of the external audit and reports issued by the external auditors;
- Considered and pre-approved all audit and non-audit services provided by the external auditors, ensuring that the independence of the external auditors is not compromised;
- Reviewed and assessed the Group's risk identification, measurement and control systems and their implementation;
- Reviewed and approved the Group accounting policies;
- Considered the impact of auditing, regulatory and accounting developments during the year;
- Considered accounting treatment, significant or unusual transactions, as well as accounting estimates and judgements and evaluated whether the accounting treatment is in terms of IFRS;
- Ensured the annual financial statements fairly present the position of the Company and Group at financial year end, the results of operations and cash flows for the period under review, and considered the basis on which the Company and Group were determined to be going concerns;
- Ensured that appropriate financial reporting procedures are in place and satisfied itself that they are operational;
- Assessed the suitability for reappointment of the external auditors and the designated partners in accordance with the JSE Listings Requirements;
- Reviewed and discussed all JSE reports as a requirement for the JSE Main Board listing and responded to the JSE with regards to the proactive monitoring letters received regarding the annual financial statements for 30 June 2019. No further queries have been raised by the JSE at the date of this report; and
- Evaluated and is satisfied with the implementation of the combined assurance framework and plan.

SIGNIFICANT MATTERS

The Audit committee considered with management, matters that could have a material financial impact on the Group. Significant items were discussed with the external auditors.

The key considerations in relation to the 2019 financial statements were:

PRESENTATION OF DISCONTINUED OPERATIONS AND NCAHFS

The disposal of the Media, Broadcast and Content businesses (comprising of TBG SA Group and SA Radio), and the Africa Associates (comprising of Africa Radio), otherwise known as the Transaction, is a fundamental input in the preparation of the annual financial statements for the current reporting period impacting the valuation and classification of the assets and liabilities identified for sale with reference to the sales agreements in accordance with IFRS 5 Non-current assets held for sale and discontinued operations ("IFRS 5"). The results of the Media and Broadcast and Content businesses (excluding Gallo and catalogue of indigenous films) and Africa associates are separately disclosed as discontinued operations with the prior period being reclassified accordingly. The Transaction has also been taken into consideration in the detailed review of the Group's liquidity and solvency position at the reporting date taking into account all possible future cash flows and scenarios.

CSI is also included as a discontinued operation to date of sale in November 2018 and non-current assets held for sale and liabilities associated with non-current assets held for sale in the prior period comprise the CSI disposal group.

The Audit committee assessed the probability of the disposals of the afore-mentioned businesses being completed within twelve months from the reporting date taking into consideration all information available including the significant progress which has been made in respect of the Transaction and the Audit committee is comfortable with its determination of which assets meet (and no longer meet) the requirements of IFRS 5 at 30 June 2019.

Audit **committee report** continued

It was anticipated that the disposal of Robor would be achieved through a sale of shares envisaged to be completed in accordance with a disposal plan. Regretfully, despite all efforts to right-size Robor's operations, to procure additional tonnages for Robor's world-class manufacturing facility and to source additional capital, Robor became increasingly unable to maintain the required levels of working capital, which resulted in the credit insurance facilities being withdrawn in August 2019 and Robor being unable to continue as a going concern in the foreseeable future. In September 2019, Robor was placed into voluntary liquidation and the disposal plan was abandoned.

Tiso Blackstar could not come to reasonable sale terms for its KTH interest with other KTH shareholders, both in terms of value and an appropriate amount of cash. The board reconsidered its position and decided that the most responsible approach would be to continue to hold the investment, and to work together with the other KTH shareholders and management, with the aim of increasing the overall value of KTH. Tiso Blackstar's long term view continues to be to dispose of its interest in KTH, but only once this can be successfully executed at a price which is reflective of the fair value of this investment.

As a result of the above events, both KTH and Robor interests are no longer accounted for as non-current assets held for sale but rather accounted for as investment in associates in accordance with IAS 28 effective from the initial date on which they were classified as held for sale being 30 June 2018 and 1 July 2016 respectively. Comparative figures have been amended for these changes in classification.

CARRYING VALUE OF THE EQUITY ACCOUNTED INVESTMENT IN ASSOCIATE KTH

As previously mentioned, the investment in KTH is accounted for using the equity method retrospectively as from its initial date of classification as held for sale and comparatives were amended accordingly. The investment in the associate KTH is accounted for cost, adjusted for the Group's share of equity accounted and net of impairment provision.

The investment in KTH was impaired to the lower of its carrying value and recoverable amount. In determining the recoverable amount the Directors applied a discount to the KTH portfolio valuation (performed by independent experts) for risks specific to the Group which involved a level of judgement. The carrying value of the equity accounted investment in KTH (net of impairment provision) amounted to R1 054.6 million at 30 June 2019 and represents 44.5% of the net asset value of the Group.

COMPETENCE OF THE FINANCE TEAM

The committee has reviewed an internal assessment of the expertise and experience of the finance team of the Company's investment adviser, Tiso Blackstar SA Proprietary Limited, and is satisfied it has the appropriate skills to meet its responsibilities. The evaluation also considered the appropriateness of the expertise and adequacy of resources of the finance function.

EXTERNAL AUDIT AND INDEPENDENCE

Deloitte are the current auditors of Tiso Blackstar Group SE. They are currently in the third year of assurance and are in line with the rotation requirements. In conducting its duties, the committee has performed the following statutory duties relating to external audit:

- Evaluated the independence and effectiveness of the external auditors, Deloitte & Touche and Deloitte LLP (collectively referred to as "Deloitte"), with Mr James Welch and Mr William Smith as designated audit partners, and is satisfied that the external auditors are independent of the Group as set out in the rules of the Independent Regulatory of Board Auditors (IRBA). Deloitte will continue in office until the forthcoming AGM. Deloitte have been the auditors of the Group for the past three financial years (inclusive of the current financial year). The rotation of the designated audit partners will occur in 2021;
- Ensure that the appointment of the external auditors complies with the provisions of the Companies Act 2006, and any other legislation relating to the appointment of auditors.
- Received and assessed the report provided by Deloitte & Touche containing the information required in terms of the JSE Listings requirements paragraph 22.15(h).from Deloitte & Touche.
- Ensured that a formal policy is in place to govern the process whereby the external auditors of the group are considered for non-audit services. In terms of the policy, the committee is responsible for determining the nature and extent of any non- audit services that the external auditors may provide and pre-approves any proposed contract with the external auditors for the provision of non-audit services. The committee is satisfied that it has adhered to this policy in all respects.
- Ensured that the external auditors have had unrestricted access to the committee, the committee chairman and the chairman of the board, ensuring that the external auditors were and are able to maintain their independence.

RECOMMENDATION ON ANNUAL FINANCIAL STATEMENTS

The committee has evaluated the consolidated annual financial statements in conjunction with the integrated annual report of Tiso Blackstar Group SE for the year ended 30 June 2019 and based on the information provided to the committee, the Audit committee recommends the approval of the annual financial statements by the board.

John Mills
Audit and Risk Committee Chairman
12 November 2019

Independent **Auditor's report**

SOUTH AFRICA

TO THE SHAREHOLDERS OF TISO BLACKSTAR GROUP SE

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated and separate financial statements of Tiso Blackstar Group SE and its subsidiaries ("the Group") set out on pages 129 to 255, which comprise the statements of financial position as at 30 June 2019, and the statements of profit and loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 30 June 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our audit report with regard to the separate financial statements of the Company for the period.

The following key audit matters relate to the consolidated financial statements:

Disposal of Media, Broadcast and Content assets	
Key audit matter description	On 27 June 2019, Tiso Blackstar Group SE entered into an agreement for the disposal of the South African Media, Broadcast and Content businesses ("TBG SA Group") for a sales consideration of R800 million, subject to certain adjustments. On 29 July 2019 the Group further announced that agreements had been finalised in respect of the disposal of the associate interests in Multimedia Group Limited, Coopers Communications Limited and Radio Africa Limited (together "Africa Radio") and the subsidiaries Rise Broadcast Pty Limited and Vuma 103 FM Proprietary Limited (together "SA Radio") for R200 million and R50 million, respectively. The transaction is a fundamental input in the preparation of the annual financial statements, particularly in the following areas: **Presentation of non-current assets held for sale and discontinued operations** • The consolidated financial statements have been presented in accordance with IFRS 5 Non-Current Assets Classified as Held for Sale and Discontinued Operations ("IFRS 5"). This has resulted in the assets and liabilities of the disposal groups being presented in a single line on the statement of financial position as at 30 June 2019. Liabilities associated with the non-current assets held for sale have been reclassified accordingly within the statement of financial position. • In addition, the results of TBG SA Group and SA Radio and the equity accounted earnings of Africa Radio are presented as discontinued in the consolidated statements of profit and loss and other comprehensive income, with the relevant prior year amounts reclassified accordingly.

Independent **Auditor's report** continued

SOUTH AFRICA continued

Disposal of Media, Broadcast and Content assets (continued)	
Key audit matter description (continued)	**Measurement of non-current assets held for sale** • In accordance with IFRS 5, the disposal groups have been measured at the lower of their carrying value and fair value less costs to sell, with the fair value being determined with reference to the sales agreements. As a result losses on remeasurement to fair value less costs to sell of R59.3 million and R154.8 million were recognised on the TBG SA Group and Africa Radio, respectively. • The fair value less cost to sell of the disposal groups at 30 June 2019 is R1,003.9 million. In the consolidated financial statements issued on 12 November 2019, the Directors noted the importance of the Transaction to the basis of preparation of the financial statements including the impact on the assessment of the Group going forward and its future cash flows, this was emphasised in the review conclusion issued at that date. This has subsequently been resolved as the transaction was approved by the shareholders on 23 October 2019 and the TBG SA Group sale became effective on 6 November 2019, as disclosed in notes 41 and 45. Given the pervasive impact of the sales transaction on the measurement, classification and disclosures within the consolidated financial statements; and the losses recognised, as disclosed in note 9.1, this is considered a key audit matter.
How the scope of our audit responded to the key audit matter	We evaluated whether the requirements to classify the disposal groups as non-current assets held for sale and discontinued operations were appropriately met. We also considered the appropriateness of the disclosures of non-current assets held for sale and discontinued operations. This included obtaining a detailed understanding of the transaction and evaluating the methodology used by the Directors in separating out the continuing and discontinuing results of the Group. We involved the use of our internal IFRS and regulatory specialists to assist in these processes. We assessed the Directors' valuation of the disposal groups at the lower of the carrying amount and fair value less cost to sell. The fair value was determined using the sales agreements. We considered the allocation of the losses on remeasurement to fair value less costs to sell against the assets within the disposal group.
Key observations	The disposal groups are carried at their fair value less cost to sell of R1,003.9 million, and the losses on remeasurement to fair value less cost to sell are appropriately recognised. We consider the disclosures in respect of the discontinued operations, non-current assets held for sale and the effect of the transaction on the going concern assumption to be sufficient and appropriate.

Carrying value of equity-accounted investment in Kagiso Tiso Holdings ("KTH")	
Key audit matter description	The carrying value of the equity-accounted investment in KTH at 30 June 2019 is R1,054.6 million and represents 44.5% of the net asset value of the Group. In the prior year, the investment in KTH was classified as a non-current asset held for sale under IFRS 5. As disclosed in note 9.2, the investment in KTH no longer meets the criteria under IFRS 5. IAS 28 Investments in Associates and Joint Ventures ("IAS 28") requires that where an investment in an associate previously classified as held for sale no longer meets the criteria, it shall be accounted for using the equity method retrospectively as from its date of classification as held for sale. The prior year financial statements have been amended in accordance with IAS 28. Under IAS 28 an associate is initially recognised at cost and adjusted thereafter for the Group's share in earnings less any impairment provisions. The investment in KTH was impaired to the lower of its carrying value and recoverable amount. In determining the recoverable amount the Directors apply a discount to the KTH portfolio valuation performed by independent experts, for risks specific to the Group. This involves a level of judgement, which together with the materiality of the carrying value of R1,054.6 million, warrants this to be a key audit matter.

Independent **Auditor's report** continued

SOUTH AFRICA continued

Carrying value of equity-accounted investment in Kagiso Tiso Holdings ("KTH") (continued)	
How the scope of our audit responded to the key audit matter	We performed procedures to assess the reclassification of the investment from non-current assets held for sale to an investment in associate including: • read minutes of Board meetings to evidence the change in the plan with respect to the investment in KTH; • reviewed the Directors' accounting paper including the assessment made of accounting judgements; • assessed the amendment through agreeing the equity accounted earnings for each relevant period against the audited financial information of the underlying entity; and • considered the appropriateness of the disclosures of the reclassification. Our procedures on the carrying value of the equity accounted investment included comparing the carrying value of investment in KTH to the net asset value of the underlying entity, being an approximation of their relevant recoverable amount, in order to identify possible indicators of impairment. Valuation specialists were engaged to assist with the testing of the independent experts' valuation of the KTH investment portfolio. The inputs used in the valuation were also assessed for accuracy by the relevant component auditor. In addition the competence, knowledge and experience of the independent expert was assessed. We considered the assumptions and consistency of the valuation methodology applied by the Directors at a Group level, including the discount applied to the valuation.
Key observations	We concur with the Directors' decision regarding the reclassification of KTH from non-current assets held for sale to investment in associate in accordance with IFRS 5 and IAS 28 and that the investment has been appropriately equity accounted from the date of classification as held for sale. Based on the procedures performed, we considered that the carrying value of the equity accounted investment in KTH determined by the Directors is appropriate.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled Tiso Blackstar Group SE Integrated Annual Report 2019 which includes the Directors' Report, the Certificate of the Company Secretary, the Audit Committee report, the Strategic Report and the Governance Report, which we obtained prior to the date of this report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group's and the Company'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 and/or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor'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 these consolidated and separate financial statements.

Independent **Auditor's report** continued

SOUTH AFRICA continued

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 and separate financial statements, 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 and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements 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 auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements 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 financial statements. 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 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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Tiso Blackstar Group SE for three years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: JAR Welch
Partner
12 November 2019

Buildings 1 and 2
Deloitte Place
The Woodlands
20 Woodlands Drive
Woodmead
2052

National Executive *LL Bam Chief Executive Officer *TMM Jordan Deputy Chief Executive Officer; Clients & Industries *MJ Jarvis Chief Operating Officer *AF Mackie Audit & Assurance *N Sing Risk Advisory DP Ndlovu Tax & Legal TP Pillay Consulting *JK Mazzocco Talent & Transformation MG Dicks Risk Independence & Legal *KL Hodson Financial Advisory *B Nyembe Responsible Business & Public Policy *TJ Brown Chairman of the Board

A full list of partners and directors is available on request

** Partner and Registered Auditor*

B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Independent **Auditor's report** continued

UNITED KINGDOM

OPINION

In our opinion:

- the financial statements of Tiso Blackstar Group SE (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated and parent company statements of profit and loss and other comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company statements of cash flows; and
- the related notes 1 to 47 for the group and 1 to 19 for the parent company.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach	
Key audit matters	The key audit matters that we identified in the current year were: disposal of Media, Broadcast and Content assets; and carrying value of equity-accounted investment in Kagiso Tiso Holdings ("KTH") In the prior year, the Key Audit Matters included the presentation of non-current assets held for sale and discontinued operations and the carrying value of goodwill and indefinite useful life intangible assets. The presentation of non-current assets held for sale and discontinued operations is incorporated into the Key Audit Matter on the Disposal of Media, Broadcast and Content. The impact of the disposal transaction on the consolidated financial statements has changed the level of audit effort relating to the carrying value of goodwill and indefinite useful life intangible assets and therefore this is no longer considered to be a Key Audit Matter. As the investment in KTH was reclassified in the financial year to an equity-accounted investment that is tested for impairment, the level of judgement and audit effort involved in determining the recoverable amount resulted in this becoming a key audit matter in the current year. Within this report, any new key audit matters are identified with and any key audit matters which are the same as the prior year identified with >>.
Materiality	The materiality that we used for the group financial statements was R28 million, which was determined on the basis of Total Equity.
Scoping	Three locations were subject to full scope audit, one location was subject to a review and a further two were subject to analytical review procedures. In aggregate the locations subject to audit procedures represents 71% of the group's revenue from both continuing and discontinued operations.
Significant changes in our approach	Other than the changes to the key audit matters discussed above, there have been no significant changes to our approach.

Independent **Auditor's report** continued

UNITED KINGDOM continued

Conclusions relating to going concern	
• We are required by ISAs (UK) to report in respect of the following matters where: • the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or • the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.	**We have nothing to report in respect of these matters.**

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the prior year, the Key Audit Matters included the presentation of non-current assets held for sale and discontinued operations and the carrying value of goodwill and indefinite useful life intangible assets. The presentation of non-current assets held for sale and discontinued operations is incorporated into the Key Audit Matter on the Disposal of Media, Broadcast and Content. The impact of the transaction on the consolidated financial statements has changed the level of audit effort relating to the carrying value of goodwill and indefinite useful life intangible assets and therefore this is no longer considered to be a Key Audit Matter.

Disposal of Media, Broadcast and Content assets	
Key audit matter description	On 27 June 2019, Tiso Blackstar Group SE entered into an agreement for the disposal of the South African Media, Broadcast and Content businesses ("TBG SA Group") for a sales consideration of R800 million, subject to certain adjustments. On 29 July 2019 the Group further announced that agreements had been finalised in respect of the disposal of the associate interests in Multimedia Group Limited, Coopers Communications Limited and Radio Africa Limited (together "Africa Radio") and the subsidiaries Rise Broadcast Pty Limited and Vuma 103 FM Proprietary Limited (together "SA Radio") for R200 million and R50 million, respectively. The transaction is a fundamental input in the preparation of the annual financial statements, particularly in the following areas: **Presentation of non-current assets held for sale and discontinued operations** • The consolidated financial statements have been presented in accordance with IFRS 5 Non-Current Assets Classified as Held for Sale and Discontinued Operations ("IFRS 5"). This has resulted in the assets and liabilities of the disposal groups being presented in a single line on the statement of financial position as at 30 June 2019. Liabilities associated with the non-current assets held for sale have been reclassified accordingly within the statement of financial position. • In addition, the results of TBG SA Group and SA Radio and the equity accounted earnings of Africa Radio are presented as discontinued in the consolidated statements of profit and loss and other comprehensive income, with the relevant prior year amounts reclassified accordingly. **Measurement of non-current assets held for sale** • In accordance with IFRS 5, the disposal groups have been measured at the lower of their carrying value and fair value less costs to sell, with the fair value being determined with reference to the sales agreements. As a result losses on remeasurement to fair value less costs to sell of R59.3 million and R154.8 million were recognised on the TBG SA Group and Africa Radio, respectively. • The fair value less cost to sell of the disposal groups at 30 June 2019 is R1,003.9 million. Given the pervasive impact of the sales transaction on the measurement, classification and disclosures within the consolidated financial statements; and the losses recognised, as disclosed in note 9.1, this is considered a key audit matter.

Independent **Auditor's report** continued

UNITED KINGDOM continued

Disposal of Media, Broadcast and Content assets	
How the scope of our audit responded to the key audit matter	We evaluated whether the requirements to classify the disposal groups as non-current assets held for sale and discontinued operations were appropriately met. We also considered the appropriateness of the disclosures of non-current assets held for sale and discontinued operations. This included obtaining a detailed understanding of the transaction and evaluating the methodology used by the Directors in separating out the continuing and discontinuing results of the Group. We involved the use of Deloitte South Africa's IFRS and regulatory specialists to assist in these processes. We assessed the Directors' valuation of the disposal groups at the lower of the carrying amount and fair value less cost to sell. The fair value was determined using the sales agreements. We considered the allocation of the losses on remeasurement to fair value less costs to sell against the assets within the disposal group.
Key observations	The disposal groups are carried at their fair value less cost to sell of R1,003.9 million, and the losses on remeasurement to fair value less cost to sell are appropriately recognised. We consider the disclosures in respect of the discontinued operations, non-current assets held for sale and the effect of the transaction on the going concern assumption to be sufficient and appropriate.

Carrying value of equity-accounted investment in Kagiso Tiso Holdings ("KTH")	
Key audit matter description	The carrying value of the equity-accounted investment in KTH at 30 June 2019 is R1,054.6 million and represents 44.5% of the net asset value of the Group. In the prior year, the investment in KTH was classified as a non-current asset held for sale under IFRS 5. As disclosed in note 9.2, the investment in KTH no longer meets the criteria under IFRS 5. IAS 28 Investments in Associates and Joint Ventures ("IAS 28") requires that where an investment in an associate previously classified as held for sale no longer meets the criteria, it shall be accounted for using the equity method retrospectively as from its date of classification as held for sale. The prior year financial statements have been amended in accordance with IAS 28. Under IAS 28 an associate is initially recognised at cost and adjusted thereafter for the Group's share in earnings less any impairment provisions. The investment in KTH was impaired to the lower of its carrying value and recoverable amount. In determining the recoverable amount the Directors apply a discount to the KTH portfolio valuation performed by independent experts, for risks specific to the Group. This involves a level of judgement, which together with the materiality of the carrying value of R1,054.6 million, warrants this to be a key audit matter.
How the scope of our audit responded to the key audit matter	We performed procedures to assess the reclassification of the investment from non-current assets held for sale to an investment in associate including: • read minutes of Board meetings to evidence the change in the plan with respect to the investment in KTH; • reviewed the Directors' accounting paper including the assessment made of accounting judgements; • assessed the amendment through agreeing the equity accounted earnings for each relevant period against the audited financial information of the underlying entity; and • considered the appropriateness of the disclosures of the reclassification. Our procedures on the carrying value of the equity-accounted investment included comparing the carrying value of investment in KTH to the net asset value of the underlying entity, being an approximation of their relevant recoverable amount, in order to identify possible indicators of impairment. Valuation specialists were engaged to assist with the testing of the independent experts' valuation of the KTH investment portfolio. The inputs used in the valuation were also assessed for accuracy by the relevant component auditor. In addition the competence, knowledge and experience of the independent expert was assessed. We considered the assumptions and consistency of the valuation methodology applied by the Directors at a Group level, including the discount applied to the valuation.
Key observations	We concur with the Directors' decision regarding the reclassification of KTH from non-current assets held for sale to investment in associate in accordance with IFRS 5 and IAS 28 and that the investment has been appropriately equity accounted from the date of classification as held for sale. Based on the procedures performed, we considered that the carrying value of the equity accounted investment in KTH determined by the Directors is appropriate.

Independent **Auditor's report** continued

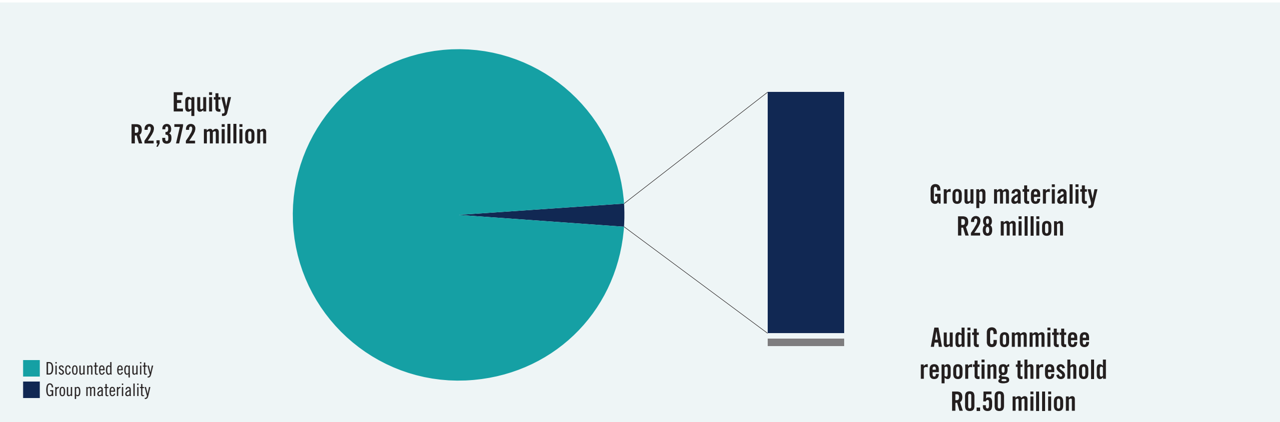
UNITED KINGDOM continued

OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	R28 million (2018: R32 million)	R26.6 million (2018: R30.4 million)
Basis for determining materiality	1.2% (2018: 1.5%) of total equity.	1% (2018: 1%) of total equity capped at 95% of group materiality
Rationale for the benchmark applied	We consider that total equity remains a focus for shareholders in the current year when comparing to the prior year. We factored the market capitalisation of the Group into our determination of materiality.	We determined materiality based on total equity as this is the key metric used by management, investors and lenders.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of R0.5 million (2018: R1 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at group level. The group consists of ten components located mainly in South Africa and the UK. Based on that assessment, we focused primarily on three components, which we considered to be financially significant and were subject to a full audit. The materiality applied to the audit of these components ranged from R26.6 million to R5.6 million.

These three components represent the principal business units and account for 71% of Group revenue from both continuing and discontinued operations. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatements identified above. Out of the three components, one is a trading component operating in the media industry.

An audit review or analytical review procedures of the three further components' financial information was performed where the extent of our testing was performed based on our assessment of the risks of material misstatements.

The Group engagement partner directed and supervised the component audit teams. Senior members of the Group audit team visited the operating locations that have been assessed as the most financially significant to the Group.

For all full scope locations, we discussed risk assessment and audit planning with the component team before the commencement of our work. Furthermore the Group audit team also discussed audit findings with the relevant component audit team throughout the audit engagement and reviewed relevant audit working papers.

Independent **Auditor's report** continued

UNITED KINGDOM continued

We discussed the results of the businesses and accounting matters arising through our involvement in communication with management.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit.

The full scope components covered 71% of Revenue, 94% of loss before tax and 96% of net assets. In addition, the components presented as discontinued operations were also subject to full scope audit procedures.

Other information	
The directors are responsible for the other information. The other information comprises the information included in the annual report (the Directors' Report, the Certificate of the Company Secretary, the Audit Committee report, the Strategic Report and the Integrated Report) other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.	**We have nothing to report in respect of these matters.**

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company'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 the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor'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 (UK) 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent **Auditor's report** continued

UNITED KINGDOM continued

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception	
Adequacy of explanations received and accounting records Under the Companies Act 2006 we are required to report to you if, in our opinion: • we have not received all the information and explanations we require for our audit; or • adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or • the parent company financial statements are not in agreement with the accounting records and returns.	**We have nothing to report in respect of these matters.**
Directors' remuneration Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.	**We have nothing to report in respect of this matter.**

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

William Smith (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
12 November 2019

Consolidated statements of profit and loss and other comprehensive income

for the year ended 30 June 2019

	Notes	Audited Year ended 30 June 2019 R'000	Restated* Audited Year ended 30 June 2018 R'000
Continuing operations			
Revenue	5	**2,362,296**	3,059,575
Net (loss)/profit	6	**(133,054)**	80,095
Net finance costs	7	**(146,113)**	(171,759)
Finance income		**4,464**	4,569
Finance costs		**(150,577)**	(176,328)
Share of (loss)/profit of associates – equity accounted	17	**(150,689)**	159,570
Reversal of impairment loss/(impairment loss) on associates – equity accounted	17	**3,917**	(265,603)
Loss before taxation		**(425,939)**	(197,697)
Taxation	8	**(17,754)**	(41,073)
Loss from continuing operations		**(443,693)**	(238,770)
Loss from discontinued operations, net of taxation	9	**(104,089)**	(139,861)
Loss for the year		**(547,782)**	(378,631)
Other comprehensive (loss)/income, net of taxation	10	**(33,674)**	4,354
Items that may subsequently be reclassified to profit and loss:			
Currency translation differences on the translation of foreign operations		**(4,955)**	(1,805)
Other comprehensive (loss)/income of equity accounted associates		**(33,409)**	1,589
Items subsequently reclassified to profit and loss:			
Reclassification of foreign currency translation reserve on disposal of subsidiary		**11,644**	–
Items that will not subsequently be reclassified to profit and loss:			
Actuarial (loss)/gains on Post-retirement medical aid ("PRMA")		**(1,784)**	2,252
Other comprehensive (loss)/income of equity accounted associates		**(5,170)**	2,318
Total comprehensive loss for the year		**(581,456)**	(374,277)
(Loss)/income for the year attributable to:			
Equity holders of the parent		**(560,242)**	(378,931)
Non-controlling interests		**12,460**	300
		(547,782)	(378,631)
Other comprehensive (loss)/income, net of taxation attributable to:			
Equity holders of the parent		**(33,674)**	3,777
Non-controlling interests		**–**	577
		(33,674)	4,354
Total comprehensive (loss)/income for the year attributable to:			
Equity holders of the parent		**(593,916)**	(375,154)
Non-controlling interests		**12,460**	877
		(581,456)	(374,277)
Basic loss per ordinary share (in cents) attributable to equity holders	12	**(213.07)**	(142.96)
Diluted loss per ordinary share (in cents) attributable to equity holders	12	**(206.52)**	(140.55)
Basic loss per ordinary share (in cents) attributable to equity holders from continuing operations	12	**(176.34)**	(89.92)
Diluted loss per ordinary share (in cents) attributable to equity holders from continuing operations	12	**(170.92)**	(88.41)

* *Refer note 1.3.1.*

Consolidated statement of financial position

as at 30 June 2019

Company registration number: SE 000110

	Notes	Audited 30 June 2019 R'000	Restated* Audited 30 June 2018 R'000
ASSETS			
Non-current assets		**2,907,450**	4,291,128
Property, plant and equipment	13	**340,287**	376,147
Goodwill	14	**661,098**	1,080,696
Intangible assets	15	**758,862**	1,175,147
Investment in associates – equity accounted	17	**1,054,640**	1,587,231
Other investments, loans and receivables	18	**25,600**	18,173
Straight lining of lease asset	19	**–**	15
Deferred taxation assets	20	**66,963**	53,719
Current assets		**858,278**	1,505,846
Inventories	21	**175,236**	241,730
Straight lining of lease asset	19	**–**	2,462
Trade and other receivables	22	**535,448**	847,360
Current taxation assets		**12,264**	19,798
Cash and cash equivalents	23	**135,330**	394,496
Non-current assets held for sale	9	**1,491,794**	1,048,697
TOTAL ASSETS		**5,257,522**	6,845,671
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Group's equity holders		**2,333,263**	2,901,794
Share capital	24	**2,554,036**	2,554,036
Share premium	24	**701,212**	701,212
Other reserves	24	**30,818**	32,036
Foreign currency translation reserve	24	**(73,222)**	(66,099)
Accumulated losses	24	**(879,581)**	(319,391)
Non-controlling interests	25	**38,509**	35,962
TOTAL EQUITY		**2,371,772**	2,937,756

* *Refer note 1.3.1.*

Consolidated statement of financial position continued

as at 30 June 2019

Company registration number: SE 000110

	Notes	Audited 30 June 2019 R'000	Restated* Audited 30 June 2018 R'000
LIABILITIES			
Non-current liabilities		**1,175,626**	1,412,276
Borrowings	26	**748,279**	909,874
Straight lining of lease liability	19	**22,069**	24,914
Other financial liabilities	27	**6,787**	6,397
Finance lease and instalment sale obligations	28	**129,799**	123,610
Post-retirement benefits liabilities	29	**–**	25,359
Provisions	30	**4,138**	5,734
Deferred taxation liabilities	20	**264,554**	316,388
Current liabilities		**1,223,060**	1,446,942
Borrowings	26	**187,101**	90,967
Straight lining of lease liability	19	**616**	2
Other financial liabilities	27	**171,422**	32,183
Finance lease and instalment sale obligations	28	**42,099**	50,259
Post-retirement benefit liabilities	29	**–**	4,506
Provisions	30	**28,164**	60,520
Trade and other payables	31	**512,561**	895,840
Current taxation liabilities		**8,295**	27,103
Bank overdrafts and other short term borrowing facilities	23	**272,802**	285,562
Non-current liabilities associated with non-current assets held for sale	9	**487,064**	1,048,697
TOTAL LIABILITIES		**2,885,750**	3,907,915
TOTAL EQUITY AND LIABILITIES		**5,257,522**	6,845,671

* *Refer note 1.3.1.*

The consolidated financial statements were approved by the board and authorised for issue on 12 November 2019.

AD Bonamour
Chief Executive Officer

DKT Adomakoh
Non-executive Chairman

Consolidated statement of changes in equity

for the year ended 30 June 2019

	Notes	Share capital R'000	Share premium R'000	Other reserves R'000	Foreign currency translation reserve R'000	Accumulated losses R'000	Attributable to equity holders R'000	Non-controlling interests R'000	Total equity R'000
Previously reported balance		2,554,036	701,212	39,637	(68,456)	151,702	3,378,131	190,763	3,568,894
Effects of reclassifications and amendments*		–	–	7,889	(2,666)	(71,075)	(65,852)	–	(65,852)
Reclassified and amended balance as at 1 July 2017		2,554,036	701,212	47,526	(71,122)	80,627	3,312,279	190,763	3,503,042
Total comprehensive (loss)/income for the year:		–	–	(1,246)	5,023	(378,931)	(375,154)	877	(374,277)
(Loss)/Profit for the year		–	–	–	–	(378,931)	(378,931)	300	(378,631)
Other comprehensive income for the year		–	–	(1,246)	5,023	–	3,777	577	4,354
Transactions with owners:		–	–	(14,244)	–	(21,087)	(35,331)	(155,678)	(191,009)
Purchase of treasury shares		–	–	(9,772)	–	–	(9,772)	–	(9,772)
FSP share based payment expense	43	–	–	9,456	–	–	9,456	–	9,456
Tax charge on FSP share based payment expense recognised directly in equity	8	–	–	2,558	–	–	2,558	–	2,558
Arising on change in holding in a subsidiary		–	–	–	–	(8,542)	(8,542)	8,542	–
Acquisition of subsidiaries/businesses	34	–	–	–	–	–	–	5,913	5,913
Equity loan from non-controlling interests		–	–	(16,486)	–	–	(16,486)	16,486	–
Interest accrued on equity loan from non-controlling interests		–	–	–	–	–	–	362	362
Loss of control in Robor	35	–	–	–	–	–	–	(177,113)	(177,113)
Dividends paid		–	–	–	–	(12,545)	(12,545)	(9,868)	(22,413)
Reclassified and amended balance as at 30 June 2018		**2,554,036**	**701,212**	**32,036**	**(66,099)**	**(319,391)**	**2,901,794**	**35,962**	**2,937,756**

Consolidated statement of changes in equity continued

for the year ended 30 June 2019

	Notes	Share capital R'000	Share premium R'000	Other reserves R'000	Foreign currency translation reserve R'000	Accumulated losses R'000	Attributable to equity holders R'000	Non-controlling interests R'000	Total equity R'000
Reclassified and amended balance as at 30 June 2018		2,554,036	701,212	32,036	(66,099)	(319,391)	2,901,794	35,962	2,937,756
Previously reported balance		2,554,036	701,212	28,383	(62,276)	(145,344)	3,076,011	35,962	3,111,973
Effects of reclassifications and amendments*		–	–	3,653	(3,823)	(174,047)	(174,217)	–	(174,217)
Total comprehensive (loss)/income for the year:		–	–	(26,552)	(7,122)	(560,242)	(593,916)	12,460	(581,456)
(Loss)/Profit for the year		–	–	–	–	(560,242)	(560,242)	12,460	(547,782)
Other comprehensive loss for the year		–	–	(26,552)	(7,122)	–	(33,674)	–	(33,674)
Transactions with owners:		–	–	25,334	(1)	52	25,385	(9,913)	15,472
Purchase of treasury shares		–	–	(1,339)	–	–	(1,339)	–	(1,339)
FSP share based payment expense	43	–	–	26,080	–	–	26,080	–	26,080
Tax charge on FSP share based payment expense recognised directly in equity	8	–	–	593	–	–	593	–	593
On disposal of subsidiary	35	–	–	–	–	–	–	(3,091)	(3,091)
On deregistration of business		–	–	–	(1)	52	51	–	51
Equity loan from non-controlling interest		–	–	–	–	–	–	5,500	5,500
Dividends paid		–	–	–	–	–	–	(12,322)	(12,322)
Balance as at 30 June 2019		2,554,036	701,212	30,818	(73,222)	(879,581)	2,333,263	38,509	2,371,772

* *Refer note 1.3.1.*

Consolidated statement of cash flows

for the year ended 30 June 2019

	Notes	Audited 30 June 2019 R'000	Restated* Audited 30 June 2018 R'000
Cash flows from operating activities			
Cash generated by operations	32	**280,505**	366,555
Dividend income received from investments		**4,632**	5,321
Net finance costs paid		**(166,140)**	(220,267)
Net taxation paid	33	**(45,330)**	(61,795)
Net cash generated by operating activities		**73,667**	89,814
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(97,246)**	(130,839)
Proceeds on disposal of property, plant and equipment		**40,718**	10,728
Additions to intangible assets	15	**(32,966)**	(40,902)
Proceeds on disposal of intangible assets		**600**	25,003
Acquisition of an associate	17	**(7)**	(3,108)
Proceeds on disposal of KTH	17	**–**	197,940
Proceeds on disposal of an associate	17	**2,580**	3,967
Additions to loans and receivables invested within Group entities		**(104,458)**	–
Repayments of loans and receivables invested within Group entities		**20,000**	344
Proceeds on disposal of investments		**985**	5,796
Acquisitions of subsidiaries	34	**(75,195)**	(13,887)
Disposals of subsidiaries	35	**345,569**	1,728
Loss of control in Robor	35	**–**	431,145
Net cash generated by investing activities		**100,580**	487,915
Cash flows from financing activities			
Borrowings raised		**102,724**	261,623
Borrowings repaid		**(160,428)**	(356,788)
Finance leases and instalment sale obligations raised		**43,609**	59,975
Finance leases and instalment sale obligations repaid		**(69,343)**	(49,384)
Other financial liabilities raised		**50,000**	809
Other financial liabilities repaid		**(20,000)**	–
Purchase of treasury shares		**(1,339)**	(9,772)
Equity loan from non-controlling interests		**5,500**	–
Dividends paid		**–**	(12,545)
Dividends paid to non-controlling interests		**(12,708)**	(9,440)
Net cash utilised by financing activities		**(61,985)**	(115,522)
Net increase in cash and cash equivalents		**112,262**	462,207
Cash and cash equivalents at the beginning of the year		**(249,734)**	(711,941)
Cash and cash equivalents at the end of the year	23	**(137,472)**	(249,734)

* *Refer note 1.3.1.*

Notes to the consolidated financial statements

for the year ended 30 June 2019

1. ACCOUNTING POLICIES

1.1 Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements have been consistently applied across all periods presented in the consolidated financial statements with the exception of the adoption of *IFRS 9 Financial Instruments* and *IFRS 15 Revenue from Contracts with Customers*. The consolidated financial statements are presented in South African Rands ("Rands") and all financial information has been rounded to the nearest thousand unless stated otherwise.

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed for use by the European Union ("EU IFRS") and IFRS as issued by the International Accounting Standards Board ("IASB"), SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, the Companies Act 2006 and the Listings Requirements of the JSE Limited. The financial statements have been prepared on a historical cost basis, except for certain financial instruments and non-current assets held for sale, which have been measured at fair value, and actuarial (loss)/gain on PRMA which is measured on an actuarial basis.

The accounting policies and methods of computation are in terms of IFRS and are consistent with those applied in the consolidated annual financial statements for the year ended 30 June 2018, except for the adoption of IFRS 9 and IFRS 15. Refer to notes 3.1 and 3.2.

1.2 Investments

Investment Strategy

Tiso Blackstar's intention is to hold the vast majority of its value in a minimum number of large investments (four to six) where it has majority control to influence strategy and growth and where its shareholders will have complete transparency on underlying investee's earnings. Tiso Blackstar will develop and grow its underlying investments organically and with bolt on value enhancing acquisitions.

Tiso Blackstar has its roots in Africa, bringing a solid capital base and an investment and operational focus on growth, return on equity, capital allocation and sustainability. Tiso Blackstar aims to become a long term partner of choice for African business owners looking to expand or exit. With no investment holding limits, Tiso Blackstar is positioned to extract value through long term partnerships with other stakeholders. Tiso Blackstar's current investments include, amongst others, Blackstar Holdings Group Proprietary Limited ("BHG"), Robor Proprietary Limited ("Robor") and Kagiso Tiso Holdings Proprietary Limited ("KTH"). Robor was placed into voluntary liquidation subsequent to year end.

In March 2016, Tiso Blackstar announced its intention to become a single sector investment holding company with a focus on media and related industries. With its media expertise, intellectual capital and operational ability, Tiso Blackstar is ideally positioned to focus its resources on developing its investments in existing brands and media businesses, as well as seeking and acquiring new media related opportunities on the African continent.

Accordingly, it is Tiso Blackstar's intention to dispose of all non-core assets, being its interests in KTH, Gallo and catalogue of indigenous films. The exit processes will be conducted in a measured and orderly manner to ensure that not only are optimal exit values achieved but that Tiso Blackstar's responsibilities to its key stakeholders within these businesses are also taken into account.

As announced in June 2019, the Group signed an agreement for the disposal of its South African media, broadcasting and content businesses (excluding Gallo and catalogue of indigenous films) and its radio assets in South Africa, Ghana, Nigeria and Kenya, to Lebashe Investment Group Proprietary Limited ("Lebashe") for a purchase consideration of R1,050.0 million. The TBG SA Group sale was concluded on 5 November 2019. The board is of the view that the disposal is in line with Tiso Blackstar's strategy and believes the sale will unlock significant value for its shareholders while also ensuring that the media business has a strong and committed shareholder in Lebashe to take it forward. The disposal will allow Tiso Blackstar to focus on its remaining businesses and investments, specifically the Hirt & Carter Group.

Purchase consideration and application

A portion of the R800.0 million purchase consideration in respect of the TBG SA Group sale was utilised to settle, in full, any debt and bank overdrafts held by Tiso Blackstar Group Proprietary Limited ("TBG").

Proceeds from the Africa Radio and SA Radio sales will also be used to fully settle the debt relating to the KTH acquisition, to reduce any bank overdrafts held by the remaining Group, and to reduce debt held by Hirt & Carter Group to appropriate levels.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

1. ACCOUNTING POLICIES (continued)

1.2 Investments (continued)

Investment policy

The Group generates returns in the form of capital appreciation and income to shareholders, through investing in a portfolio of businesses. While not constricted geographically, given the background and experience of management, it is expected that the majority of capital invested will be in businesses operating in southern Africa, with a particular focus on South Africa. Investments outside southern Africa will be considered where the board believes the opportunities are particularly attractive. The Group will look to invest in businesses with underlying themes of strategic market position and strong cash flows. The Group may invest in the form of either equity or debt and may acquire directly or indirectly controlling or minority holdings in investee companies. The Group seeks to be actively involved in setting the strategy of the investee companies and seeks to act as an allocator of capital and resources. When appropriate, the Group will become involved in the day-to-day management of investee companies either alongside or instead of the management team of the investee company. Over a period of time, the Group intends to dispose of its existing investments where it has little management input or influence. The Group is a long term investor and the board places no limit on the length of time that any portfolio investment may be held. The board considers, on a case by case basis, the optimum exit strategy for each portfolio investment. The Group expects to only hold a small number of portfolio investments at any one time. However, there is no minimum or maximum number of investments that the Group can hold at any one time, nor are there any maximum exposure limits per portfolio investment. The Group finances its portfolio investments out of its own cash and resources and utilises third party debt funding as appropriate. In addition, investee companies may themselves have gearing. There is no maximum gearing level for either the investee company or on a Group basis. However, the board will review the level of gearing in the Group at each board meeting, which occurs at least four times a year. Save as set out above, the Group does not have any investment restrictions within its investment policy.

Even though the JSE considers the Company to be classified as a section 4 company in terms of the JSE Limited Listings Requirements, as noted in the Executive summary, the board is currently investigating whether it would be more appropriate that the Company be considered an investment entity in terms of *IFRS 10 Consolidated Financial Statements*. This would necessitate a change in accounting policies from consolidation to holding investments at fair value.

1.3. Reclassification and amendments to comparative period

1.3.1 Restatement of comparative period

The following restatements were made to the comparative period:

- Reclassification in terms of *IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations* as a result of the Group entering into an agreement to dispose of TBG SA Group, SA Radio and Africa Radio (refer note 9.1);
- Amendments in terms of IFRS 5 and *IAS 28 Investments in Associates and Joint Ventures* in respect of the Group's investments in Robor and KTH as a result of certain events which impacted the Group's ability to dispose of these investments (refer note 9.2);
- The statement of cash flows has been expanded to provide a more useful analysis of the cash flows. In accordance with *IAS 1 Presentation of Financial Statements*, the comparative amounts have been reclassified to be presented in the same manner as the current year; and
- Reclassification of the Bothma Branding Solutions Proprietary Limited ("BBS") contingent consideration from trade payables to other financial liabilities. The amount payable on acquisition of BBS of R26.5 million was disclosed in trade and other payables in the prior year. In the current year, a liability of R68.1 million arose as a result of the adjustment to the fair value of the contingent consideration payable on acquisition of BBS. On review of the classification of these liabilities, it was assessed that although these amounts are short term in nature and meet the definition of a payable, it would be more appropriate to disclose them as other financial liabilities as they are not considered to be part of day-to-day trading. The liability in the comparative period was therefore reclassified from trade payables to other financial liabilities in order to ensure comparability.

1.3.2 Restructure of the consolidated statements of profit and loss and other comprehensive income

The consolidated statements of profit and loss and other comprehensive income were restructured in the current reporting period. This was done in an attempt to declutter the financial statements after taking into consideration the impact of the significant changes in the Group, including the Transaction, and the nature of the remaining businesses post the disposal.

The method applied is in terms of IAS 1 par 97 to 99 to disclose items by nature. The nature and amount of material income and expense line items, which have contributed to the net (loss)/profit as shown on the face of the consolidated statements of profit and loss and other comprehensive income, have been disclosed separately in note 6.

1.4 Basis of consolidation

These consolidated financial statements of the Group incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

1. ACCOUNTING POLICIES (continued)

1.4 Basis of consolidation (continued)

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and by other parties;
- Other contractual arrangements; and
- Any additional facts and circumstances, including historical patterns in voting attendance.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit and loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

In circumstances where subsidiaries meet the requirements to be consolidated, the following policies apply:

- Inter-company transactions and balances between Group companies are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group;
- Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interest consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination;
- The acquisitions of subsidiaries are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired business. The acquired business' identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *IFRS 3 Business Combinations* are recognised at their fair values at the acquisition date. Non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5; and
- Goodwill arising on acquisition is recognised in accordance with the Group's goodwill accounting policy (refer note 1.7).

1.5 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit and loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, with the exception of:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with *IAS 12 Income Taxes* and *IAS 19 Employee Benefits*, respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with *IFRS 2 Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest 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 amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed exceeds 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), the excess is recognised immediately in profit and loss as a gain on bargain purchase.

Non-controlling interests that have a present ownership interest which entitles their holders to a proportionate share of the entity's net assets in the event of liquidation, may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

1. ACCOUNTING POLICIES (continued)

1.5 Business combinations (continued)

When the consideration transferred by the Group in a business combination includes assets and liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or as a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 with the corresponding gain or loss being recognised in profit and loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit and loss. Amounts arising from interest in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit and loss where such treatment would be appropriate if that interest were disposed of.

1.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated. Buildings in the course of construction for and/or held for use in the production or supply of goods or services, or for administrative purposes are classified under property, plant and equipment.

Subsequent expenditure relating to an item of equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Residual values, useful lives and methods of depreciation are reassessed annually.

Depreciation is provided on the straight line basis so as to write the assets down to their estimated residual values, over the estimated useful lives of the assets. Depreciation is recognised as an expense in profit and loss.

The following estimated useful lives were used during the year to depreciate property, plant and equipment to estimated residual value:

• Capital work in progress	Not depreciated until available for use
• Computer equipment	3 years
• Furniture and fittings	3 – 20 years
• Buildings	50 years
• Leasehold improvements	10 years
• Office equipment	3 – 10 years
• Photographic equipment	3 – 20 years
• Plant and machinery	4 – 10 years
• Vehicles	3 – 5 years

Artwork is not depreciated due to the residual value exceeding the carrying value.

Where significant components of an asset have different useful lives to the asset itself, these components are depreciated over their estimated useful lives.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. An impairment loss is recognised as a cost in the consolidated statements of profit and loss and other comprehensive income. When an impairment loss is reversed, then it is only reversed to the extent that the revised carrying amount of the asset would reflect the depreciation that would have been charged, had the impairment not been reflected. A reversal of an impairment loss is recognised as income in the consolidated statements of profit and loss and other comprehensive income. Where a reversal of a previously recognised impairment loss is recognised, the depreciation charge for the asset is adjusted to allocate the asset's revised carrying amount, less residual value, on a systematic basis over its remaining useful life. Profit or losses on the disposal of property, plant and equipment are credited or charged to profit and loss. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in net (loss)/profit.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

1. ACCOUNTING POLICIES (continued)

1.7 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (refer note 34) less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units ("CGU") that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to that CGU and then to the other assets of the CGU pro rata based on the carrying amount of each asset in the CGU. Any impairment loss for goodwill is recognised directly in profit and loss. An impairment loss recognised for goodwill is not reversed in subsequent periods. Refer note 14 for further details on impairment testing.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1.8 Intangible assets

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The intangible assets are tested for impairment when there is an indication that the asset may be impaired. An impairment loss is recognised as a cost in the consolidated statements of profit and loss and other comprehensive income.

Intangible assets with indefinite lives that are acquired separately are carried at cost less accumulated impairment losses. The intangible assets are tested annually for impairment.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are measured on the same basis as intangible assets that are acquired separately.

Publishing rights and titles, brands and trademarks acquired are capitalised as intangible assets. The useful lives of newspapers and magazine mastheads and titles have been assessed as indefinite due to the fact that these titles have been in existence for a significant number of years, some of which are more than 50 years old. These are well known and established brands, and are considered to be in a mature phase with a strong footprint in South Africa and consistent readership and support. These intangible assets are assessed annually regarding estimated economic useful life and impairment. Where events and circumstances no longer support an indefinite useful life assessment, the intangible asset is impaired or the life assessment is changed from indefinite to finite, with the change being accounted for as a change in accounting estimate in terms of *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*. Costs to develop publishing rights and titles internally are recognised in profit and loss.

The following estimated useful lives were used during the year to amortise intangible assets to estimated residual value:

• Mastheads	Indefinite
• Advertiser relationships	5 – 10 years
• Subscriber relationships	4 – 10 years
• Brands	Indefinite/20 years
• Film rights	15 years
• RMS software	5 years
• Publishing rights and titles	10 – 15 years
• Computer software	3 – 5 years
• Customer relationships	6 – 10 years

IAS 38 Intangible Assets defines the useful life as "the period over which an asset is expected to be available for use by an entity; or the number of production or similar units expected to be obtained from the asset by an entity."

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

1. ACCOUNTING POLICIES (continued)

1.8 Intangible assets (continued)

Under IAS 38, the factors which should be considered in assessing the useful lives of intangible assets include:

- Typical life cycles for the product and any public information on useful lives;
- Technical, technological, commercial or other types of obsolescence;
- Stability of the industry in which the asset operates and changes in the market demand;
- Expected actions by competitors;
- Level of maintenance expenditure required to obtain the future economic benefits; and
- The period of control over the asset and legal or similar limits on the use of the asset.

The estimated useful life of each identifiable asset identified will be based on the factors outlined above.

1.9 Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated financial statements at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only and to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of the investment, after reassessment, is recognised immediately in profit and loss in the period in which the investment is acquired.

The requirements of IFRS 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. Refer note 1.24 for further details on impairment testing.

The Group discontinues the use of the equity method from the date when the investment ceases to be an investment in an associate, or when the investment is classified as held for sale.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

1.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the weighted average cost formula. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Write-downs to net realisable value are recognised in profit and loss.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories, are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period the reversal occurs.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

1. ACCOUNTING POLICIES (continued)

1.11 Non-current assets held for sale and discontinued operations

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

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The investments in KTH and Robor no longer meet the requirements of IFRS 5 and have therefore been accounted for as investment in associates in accordance with IAS 28 (refer note 17) effective from the date classified as held for sale and comparatives have been amended for this change in classification.

Per IAS 28, when an investment in associate previously classified as held for sale no longer meets the criteria to be so classified, it shall be accounted for using the equity method retrospectively as from its date of classification as held for sale. Consolidated financial statements for the periods since classification as held for sale have been amended accordingly.

1.12 Cash and cash equivalents

Cash and cash equivalents comprise cash in current accounts, money market funds and short term deposits with original maturities of three months or less from inception.

Short term investments that are not held for the purpose of meeting short term cash commitments and restricted margin accounts are not considered as 'cash and cash equivalents'.

For the purpose of the statement of cash flows, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts, when applicable.

1.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating leases – lessor

Rental income earned or rental cost incurred under operating leases are recognised in profit and loss on the straight line basis over the period of the lease, or on another basis if more representative of the time pattern of the user's benefit. Benefits received/receivable or paid/payable are recognised as an incentive to enter into an operating lease are spread on a straight line basis over the lease term.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as either an operating lease asset or liability. This asset or liability is not discounted.

Finance leases – lessee

Assets held under finance leases are recognised as assets at their fair value at the inception of the lease, or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy regarding the capitalisation of borrowing costs.

1.14 Provisions

Provisions are recognised when there is a present obligation as a result of a past event, and it is probable that the obligation will need to be settled. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date, and are present-valued where the effect of discounting is material.

Provisions are not recognised for future operating losses.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

1. ACCOUNTING POLICIES (continued)

1.14 Provisions (continued)

If an entity has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision.

Contingent liabilities are a possible obligation depending on whether some uncertain future event occurs or a present obligation but payment is not probable or the amount cannot be measured reliably. The contingent liabilities were measured at the best estimate of the expenditure required to settle the obligations on the Deemed Acquisitions Date.

1.15 Impairment of non-financial assets

Other assets

The carrying amounts of the Group's other assets are reviewed when there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its fair value less costs to sell and its value in use.

Impairment methods

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows that are largely independent of those from other assets the recoverable amount is determined for the CGU to which the asset belongs. An impairment loss is recognised in profit and loss whenever the carrying amount of the CGU exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

1.16 Dividend distributions

Dividends are at the discretion of the Company. A dividend to the Company's shareholders is accounted for as a deduction from retained earnings. An interim dividend is recognised as a liability in the period in which it is irrevocably declared by the board. A final dividend is recognised as a liability in the period in which it is declared.

1.17 Equity instruments and treasury shares

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The consideration paid/received for the purchase/sale of treasury shares is recognised directly in equity. The cost of treasury shares held is presented as a separate reserve. Any excess of the consideration received on the sale of treasury shares over the cost of the shares sold (calculated on a weighted average basis) is credited to the share premium account. The cancellation of treasury shares reduces the share capital and increases the capital redemption reserve by an amount corresponding to the nominal value of the shares.

1.18 Revenue

Due to the diverse nature and unique industries the segments within the Group operate, each individual operation was required to identify their individual revenue streams and performance obligations under the requirements of IFRS 15. The major revenue streams were identified based on the information gathered from the underlying operations.

The Group recognises revenue from the following major streams from continuing operations (refer to note 3.2 for the recognition of each major stream):

- Design
- Printing
- Storage/warehousing
- Software solutions
- Digital marketing solutions
- Imaging & photography
- Digital asset management
- Distribution income from the sale of published material
- Film distribution
- Music sales
- Royalty income

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

1. ACCOUNTING POLICIES (continued)

1.18 Revenue (continued)

Revenue from discontinued operations is comprised of the following:

- Advertising on media platforms
- Eventing
- Production income
- Circulation
- Distribution income from content sales
- ACSA Site Revenue

The accounting policy of the Group is to measure revenue based on the price specified in a contract when control of a product or service is transferred to a customer.

The amount of revenue recognised is the transaction price allocated to that performance obligation that at least compensates the Group for the performance obligations completed and to which it is entitled.

Refer note 3.2 for the impact of the adoption of IFRS 15.

1.19 Dividend income

Dividend income is recognised on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Group's right to receive the payment is established. Dividend income is presented net of any non-recoverable withholding taxes, which are disclosed separately in the consolidated statements of profit and loss and other comprehensive income.

1.20 Employee benefits

Short term employee benefits

The cost of short term employee benefits (those payable within twelve months after the service has been rendered) are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Retirement and Post-retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out annually by independent actuaries. Remeasurement, comprising actuarial gains and losses, the effect of changes to the asset ceiling and the return on plan assets, is reflected immediately in the statement of financial position, with a charge or credit recognised in other comprehensive income in the period in which they occur.

The Group's post-retirement benefits are valued by independent actuaries, with gains and losses recognised in profit and loss.

1.21 Finance income and finance costs

Finance income comprises interest receivable on current account bank balances, and deposits held on call. Finance costs comprise interest payable on borrowings calculated using the effective interest rate method. Interest is recognised in profit and loss as it accrues using the effective interest rate method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the costs of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

1.22 Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. The fair value determined at the grant date is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity, and is adjusted for the effect of non-market vesting conditions.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

1. ACCOUNTING POLICIES (continued)

1.23 Tax

Current tax comprises tax payable calculated on the basis of the taxable profit for the period, using the tax rates and laws enacted or substantively enacted at the reporting date, and any adjustment of tax payable for previous years. Taxable profit differs from profit as reported in the consolidated statements of profit and loss and other comprehensive income because it excludes items of income and expenses that are taxable or deductible in other years and it further excludes items are never taxable or deductible.

A deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Current and deferred tax is charged to profit and loss except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in profit and loss, except to the extent that it relates to items previously charged or credited directly to equity or other comprehensive income.

Tax assets and liabilities are offset when the Group has a legally enforceable right to offset tax assets and liabilities, and the tax assets and liabilities relate to taxes levied by the same tax authority.

1.24 Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments and are initially measured at fair value.

Classification and subsequent measurement of financial assets

IFRS 9 classifies financial instruments into the following categories:
- at fair value through profit or loss ("FVTPL");
- at fair value through other comprehensive income ("FVTOCI"); or
- at amortised cost.

Financial assets are classified on the basis of the Group's business model for managing the financial asset and the related cash flow characteristics.

The Group will hold financial assets at fair value through profit and loss under the following business model:
(i) they are acquired principally for the purpose of generating a cash profit from short term fluctuations in price through selling and repurchasing in the short term; or
(ii) when it is the Group's intention to monitor the performance of these assets on a fair value basis.

The Group classifies its financial instruments as follows:

Type of financial instrument	Measurement category
Trade and other receivables	Financial asset at amortised cost
Cash and cash equivalents	Financial asset at amortised cost
Investments classified as loans and receivables	Financial asset at amortised cost
Trade and other payables	Financial liabilities at amortised cost
Short term and long term interest bearing liabilities	Financial liabilities at amortised cost
Borrowings	Financial liabilities at amortised cost
Investments in equity instruments	Designated at fair value through other comprehensive income

Refer note 3.1 for the impact of the adoption of IFRS 9.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

1. ACCOUNTING POLICIES (continued)

1.24 Financial instruments (continued)

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in *IAS 39 Financial Instruments: Recognition and Measurement* with an 'expected credit losses' ("ECL") model. The new impairment model will apply to all financial assets held within the Group that have been measured at either amortised cost or fair value through other comprehensive income. IFRS 9 requires the Group to measure the loss allowance on financial assets, other than trade receivables, at an amount equal to life expected credit losses, where the credit risk relating to the financial asset has increased significantly over the life of the asset. Where the credit risk has not increased significantly, then the loss allowance is to be measured at twelve-month expected credit losses.

The loss allowance for trade receivables will always be measured at an amount equal to lifetime ECLs, as there is no significant financing component in trade receivables. The ECL for trade receivables is measured using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of credit risk conditions at the reporting date.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group makes individual assessments of each customer with respect to the timing and amount of the write-off, based on whether there is a reasonable expectation of recovery, as well as consideration of the potential outcome of any enforcement activities that the customer has been subjected to.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Trade and other receivables, and investments classified as loans and receivables

Trade and other receivables, and investments classified as loans and receivables are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest method, less any expected credit losses.

Investments in equity instruments

The Group designates their investments in equity instruments at fair value through other comprehensive income. These investments will be subsequently measured through OCI, with any impairments being recognised through profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts which are measured at amortised cost using the effective interest method. Bank overdrafts are presented in current liabilities on the statement of financial position.

Borrowings

Borrowings are initially recorded at fair value, net of direct issue costs, and are subsequently measured at amortised cost using the effective interest method. Finance charges, including premiums payable on settlement or redemption, are accounted for using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables

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

1.25 Foreign currencies

Functional currency

The functional currency of the Company is South African Rands, being the currency of the primary economic environment in which the Company and its subsidiaries operate.

Translation of foreign currency assets and liabilities in the individual entities financial statements

In preparing the consolidated financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the exchange rates prevailing on the dates of the transactions.

At each reporting date, monetary items denominated in foreign currency are translated at the exchange rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currency are translated at the exchange rates prevailing when the fair value was determined.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

1. ACCOUNTING POLICIES (continued)

1.25 Foreign currencies (continued)

Translation of foreign currency assets and liabilities in the individual entities financial statements (continued)

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are translated using the rates of exchange ruling at the date of the transaction. Any exchange differences arising on translation are recognised in profit and loss in the period in which they occur.

Translation of financial statement of entities into the presentation currency

Assets and liabilities of entities are translated into the Group's presentation currency of Rands at year end exchange rates. Capital and reserves are translated at historical rates. Items included in the consolidated statements of profit and loss and other comprehensive income are translated at average exchange rates for the year.

Translation differences arising from the translation of entities consolidated by the Group are taken directly to the foreign currency translation reserve. On disposal of entities, such translation differences are recognised in profit and loss as part of the gain or loss on disposal.

1.26 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker has been identified as the board. This body reviews the Group's internal reporting in order to assess performance. Management has determined the operating segments based on these reports.

1.27 Significant judgements and areas of estimation

The preparation of the consolidated financial statements requires the use of estimates, assumptions and judgements that affect the amounts reported in the consolidated financial statements. Estimates, judgements and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Although the estimates are based on management's best knowledge and judgements of current facts as at the reporting date, the actual outcome may differ from those estimates.

These estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which it's revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Group bases its assumptions and estimations on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

In the process of applying the Group's accounting policies, management have identified the following estimates, assumptions and judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

Carrying value of goodwill and intangible assets

The Group tests annually whether goodwill and intangible assets with indefinite useful lives have suffered impairments in accordance with *IAS 36 Impairment of Assets*. Significant judgement is required in assessing the impairment of goodwill and indefinite useful life intangible assets, which is determined with reference to the value in use. The recoverable amounts of the CGUs have been determined based on discounted cash flow methodology. These calculations require the use of estimates, which includes using five year budgeted and forecasted information for each CGU, discount rates, growth rates and gross margin, based on risks relating to the relevant CGUs and the countries in which they operate in, as well as market specific factors. The estimates and sensitivities are provided in notes 14 and 15 of the consolidated financial statements.

Carrying value of investment in subsidiaries in Company financial statements

The Group tests annually whether an investment in subsidiary has been impaired. Significant judgement is required in assessing the impairment of an investment in subsidiary, which is determined with reference to the value in use.

Investment in subsidiaries are tested for impairment with reference to the fair value of the underlying businesses as determined by management using the discounted cash flow methodology.

The enterprise value is derived, using reasonable assumptions and estimations of expected cash flows and the terminal value and discounting to the present value by applying the appropriate risk-adjusted discount rate that quantifies the risk inherent in the investment. Given the subjective nature of valuations, the Group is cautious and conservative in determining the valuations.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

1. ACCOUNTING POLICIES (continued)

1.27 Significant judgements and areas of estimation (continued)

Identifiable assets and liabilities at fair value at acquisition

Judgment was involved in determining the fair value of the identifiable assets at acquisition in accordance with IFRS 3, taking into account the replacement value of assets. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's assets. Intangible assets in the form of customer relationships and brands were identified.

The acquisition of First Impressions Labels Proprietary Limited ("FIL") in the current year and BBS in the prior year, was to continue with the expansion of the Group's media focused strategy. The goodwill recognised (refer note 34) was for a control premium and expected synergies. The benefits derived from the control premium and expected synergies could not be recognised separately from goodwill because they did not meet the recognition criteria for intangible assets.

Calculation of expected credit losses ("ECL") allowance

The Group measures the ECL using reasonable and supportable forward-looking information, which is based on assumptions of future economic conditions.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

The ECL allowance seeks to measure the possible loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, taking into account cash flows from debtors insurance and collections from debtors that have been handed over.

Probability of default constitutes a key input in measuring the ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Refer note 36.3 for calculation of the ECL.

A sensitivity analysis was performed on the ECL for June 2019. A 10% increase in the ECL rate on trade receivables for the "91+ days" aging category, the loss allowance for trade receivables would have been R1.1 million (2018: R5.6 million) higher. A 10% decrease in the ECL rate on trade receivables for the "91+ days" aging category, the loss allowance for trade receivables would have been R1.1 million (2018: R5.6 million) lower.

Classification of disposal groups and non-current assets held for sale

In terms of IFRS 5, an asset or disposal group may only be classified as a non-current asset held for sale, if it is available for immediate sale in its present condition and its sale must be highly probable within the next twelve months. Judgement is involved in determining whether the disposal is highly probable within twelve months.

As announced in June 2019, the Group signed an agreement for the disposal of its South African media, broadcasting and content businesses (excluding Gallo and catalogue of indigenous films) and its radio assets in South Africa, Ghana, Nigeria and Kenya, to Lebashe for a purchase consideration of R1,050.0 million. These investments met the definition of held for sale as per IFRS 5 and have been classified and presented as non-current assets held for sale at 30 June 2019. In terms of IFRS 5, these investments are carried at the lower of carrying value and fair values less costs to sell (refer note 9). The fair value has been determined with reference to the anticipated value expected to be realised on disposal.

The CSI disposal group met the definition per IFRS 5 and was classified and presented as a non-current asset held for sale as at 30 June 2018. Consolidated Steel Industries Proprietary Limited ("CSI") was disposed of in November 2018 and is no longer required to be disclosed in terms of IFRS 5.

Tiso Blackstar's 20.01% interest in KTH, was identified as a non-core asset earmarked for sale and accounted for as a non-current asset held for sale and a discontinued operation in terms of IFRS 5 with effect from June 2016, as a result of the Group entering into a sales agreement to dispose of the asset.

On publication of the Integrated Annual Report for the year ended 30 June 2018, the KTH shareholders had appointed an independent party to advise on the most optimal approach to meet the desired shareholders objectives, which included Tiso Blackstar's plan to dispose of its entire interest in KTH. It was highly anticipated that this KTH disposal plan would be completed by 30 June 2019.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

1. ACCOUNTING POLICIES (continued)

1.27 Significant judgements and areas of estimation (continued)

Classification of disposal groups and non-current assets held for sale (continued)

Tiso Blackstar could however not come to reasonable sale terms for its KTH interest with other KTH shareholders, both in terms of value and an appropriate amount of cash. The board has reconsidered its position and decided that the most responsible approach would be to continue to hold the investment, and to work together with the other KTH shareholders and management, with the aim of increasing the overall value of KTH. Tiso Blackstar's long term view continues to be to dispose of its interest in KTH, but only once this can be successfully executed at a price which is reflective of the fair value of this investment. The board believes that this strategy will in the long term yield a better return for shareholders.

In September 2019, Robor was placed into voluntary liquidation as its merger with MacSteel did not transpire as planned. The investment was written down to zero and all related loans were impaired at 30 June 2019.

As a result of the aforementioned events, the interests in KTH and Robor are no longer accounted for as non-current assets held for sale (held at their fair value less costs to sell) under IFRS 5 but rather accounted for as investment in associates under IAS 28, being equity accounted and tested annually for impairment.

Loss of control in Robor

On disposal of a 3.4% interest in Robor during the prior year, judgement was used to determine whether Robor was still considered to be a subsidiary of the Group. Per IFRS 10, control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee. Per IAS 28, an associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Post the disposal, the Group now holds a 47.6% interest in Robor and is no longer the majority shareholder. In addition, the Group has only one non-executive director represented on the Robor board of directors. Based on this, the Group believes, post the disposal, it has significant influence over Robor. In September 2019, the Robor board and shareholders voted to put Robor into voluntary liquidation. The board assessed the recoverability of the loans and investment in Robor and deemed it not to be recoverable, as the Group would be ranked after Robor's creditors, lenders and Sars. The loans and investment in Robor were fully impaired at 30 June 2019.

The Group has provided a guarantee of R110.0 million to a bank for the obligations of Robor. The guarantee was ranked ahead of another security, however, subsequent to year end following negotiations with the bank, the guarantee was amended so that the guarantee would only be called in the event that the bank was unable to recover the debt through the realisation of the other security. Judgement was used to analyse Robor's assets and debt, and determine the probability of the guarantee being called upon. Based on the Group's assessment, it was considered to be remote and thus no value has been recorded in the consolidated financial statements in this respect.

KTH portfolio valuation

The investment in KTH is tested annually for impairment with reference to the KTH portfolio valuation. The portfolio valuation was performed by an independent valuator using the International Private Equity and Venture Capital Valuation Guidelines ("IPEVC guidelines"). The following was considered to determine the most appropriate methodology to use:

- Available market prices;
- Price of recent investment;
- Capitalisation of maintainable earnings using appropriate market multiples;
- Discounted Cash Flows ("DCF");
- Net Asset Value ("NAV");
- Industry valuation benchmarks; and
- Fund interests.

A discount to NAV was applied, as KTH is an investment holding company, to determine the portfolio valuation, and a further discount is applied by the Group to take into account its rights with reference to its 20.01% shareholding.

Revenue

The Group recognises revenue when it transfers control over a good or service to the customer. The Group determines the variable consideration (including refunds, rebates, discounts and similar items) to be included in the transaction price based on the contractual obligations between themselves and the customer, historical experience, business forecasts and current economic conditions. Any uncertainty around the variable consideration will be resolved within a short time frame.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

2. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

2.1 Determination of fair values arising on business combinations

Intangible assets

The valuation of the fair value of the intangible assets arising on the acquisition of FIL during the current year was performed by an independent valuer. The Income Approach was used to determine the fair value of the intangible assets, as it indicates the fair value of an asset based on the value of the cash flows that the asset might reasonably be expected to generate. This approach captures expected future returns to the owner and it is able to estimate value for unique assets when market transaction data is not available. Market data may often be obtained to estimate the income stream that might reasonably be expected to be generated from a particular asset.

2.1.1 Customer relationship valuation

The excess earnings method was used to determine the fair value of the acquired customer relationships. The revenue forecasts based on 2019 actual numbers grown by the growth rate that management deem to be reasonable for the Company over a 10 year term.

Assumptions were made with respect to the following:

- the average growth of revenue to 2020 and thereafter based on management's assumptions;
- customers with relationship percentage contribution to total revenues as at 28 February 2019;
- the consistency of gross profit margin attributable to each customer from 2020 to 2029;
- customer loyalty based on the historic sales data received, the past sales levels and the age of the customer relationships;
- average growth rate of operating expenses;
- profit from the acquired customer relationships is assumed to incur tax at the standard rate of 28%; and
- the discount rate which best captures the risk and required return of the acquired customer relationships.

Weighted average cost of capital ("WACC")

The following components were used to determine the WACC rate:

- RFR – Risk Free Rate: The risk free rate is the basic expected return on a risk free investment to compensate the investor for inflation, country risk in countries other than those within AAA rated governments, and in theory a return on capital. The South African Government issued bonds are the closest instrument to risk free in South Africa. The R213 bond was used as a proxy for this as it has been widely traded. This bond's time frame to maturity is about twelve years which is the period over which the majority of the value of private businesses accrues.
- EP – Equity Premium: The market premium for equity investments recognises that shares or stocks are more risky than bonds because they are a residual interest in an enterprise after paying for debt. Market data developed over many decades suggests that in South Africa the equity premium is 6.00% to 8.00%.
- ß – Beta – The Beta of a stock or sector is a measure of the expected return relative to other stocks or sectors on an overall market. The JSE All Share Index was considered as it encompasses comparable stocks listed on the JSE. An average of 1.00 was used.
- RRR – Required Rate of Return: The required rate of return is the product of the equity premium and the beta, added to the risk free rate. This is however applicable to the listed market which is significantly different to the market for private company shares. Data developed by annual surveys indicate that there is still a small stock premium to add to this required rate of return.
- SSP – Small Stock Premium: The "Small Stock" premium takes into account that smaller companies are inherently more risky than larger ones. They tend to be more susceptible to downturns and distress. Typical reasons include less access to capital, diverse service lines, customer bases, depth of management, governance and the like. Again a rational investor would demand extra return on their capital to compensate for this, and market surveys suggest this is approximately 6.3% for businesses with turnover up to R250.0 million. A figure in line with this guidance was used.
- Capital Structure – 50:50: The weighting between the cost of debt and the cost of equity has been determined based on data developed by annual surveys. The appropriate method to calculate the capital structure was determined to be based on the Hirt and Carter Group's gearing for the acquisition of this entity.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

2. DETERMINATION OF FAIR VALUES (continued)

2.1 Determination of fair values arising on business combinations (continued)

2.1.2 Brand valuation

The relief from royalty method was used to determine the fair value of the FIL brand. The relief from royalty method values intangible assets by reference to the amount of royalty the acquirer would have had to pay in an arm's length licencing agreement to secure access to the same rights. Market research was performed to determine the percentage applicable in this sector and an acceptable range of 1.00% to 2.50% was determined. A percentage of 1.5% was deemed to be appropriate for the FIL brand valuation as the assumption under the valuation approach is that only the brand is made available to the market.

2.2 Determination of fair values arising on balances carried or disclosed at fair value

2.2.1 Investments

Investments at fair value through profit and loss include unlisted investments:

Unlisted Equity investments: All unlisted equity investments have been valued as follows:

(a) Where applicable, on the basis of a similar recent investment transaction by an independent third-party in the equity of the portfolio of the company. Where the investment being valued was itself made fairly recently (within a period of one year), its costs provide a good indication of fair value; or

(b) Using the discounted cash flow methodology, in which case:
- Enterprise value is apportioned to the enterprise's financial instruments in order of ranking. The enterprise value is derived, using reasonable assumptions and estimations of expected cash flows and the terminal value and discounting to the present value by applying the appropriate risk-adjusted discount rate that quantifies the risk inherent in the investment.
- Given the subjective nature of valuations, the Group is cautious and conservative in determining the valuations.

2.2.2 Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

2.2.3 Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

3. NEW IFRS STANDARDS THAT ARE EFFECTIVE FOR THE CURRENT YEAR

3.1 Adoption of IFRS 9 Financial Instruments

Key requirements or changes in accounting policy

The new standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. IFRS 9 applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. IFRS 9 also results in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

Impact of application of amendment

In the current year, the Group has applied IFRS 9 and the related consequential amendments that are effective for the financial year commencing 1 July 2018.

i) Classification and measurement of financial assets and liabilities
There is no material impact to the financial statements on transition to IFRS 9, other than the classification and disclosure changes as shown in the table below. These classification changes have not impacted the measurement or carrying amount of financial instruments.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

3. NEW IFRS STANDARDS THAT ARE EFFECTIVE FOR THE CURRENT YEAR (continued)

3.1 Adoption of IFRS 9 Financial Instruments (continued)

Impact of application of amendment (continued)

i) Classification and measurement of financial assets and liabilities (continued)

The Group completed a detailed assessment of its financial assets and liabilities as at 1 July 2018. The following table shows the classification prior to and after the adoption of IFRS 9:

Financial asset/liability	IAS 39 Classification	IAS 39 Measurement	Classification under IFRS 9
Trade receivables	Loans and receivables	Amortised cost	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost	Amortised cost
Investments classified as loans and receivables	Loans and receivables	Amortised cost	Amortised cost
Financial assets held for trading	Held-for-trading	Fair value through profit and loss	Fair value through profit and loss
Trade and other payables	Financial liabilities at amortised cost	Amortised cost	Amortised cost
Short term and long term interest bearing liabilities	Financial liabilities at amortised cost	Amortised cost	Amortised cost
Borrowings	Financial liabilities at amortised cost	Amortised cost	Amortised cost
Investments in equity instruments	Available-for-sale	Fair value through other comprehensive income	Designated at fair value through other comprehensive income

ii) Impairment of financial assets

The primary change relates to the assessment of provisioning for potential future credit losses on financial assets.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables. To measure the ECL, a provision matrix has been used and trade receivables have been grouped based on the days past due. Refer note 36.3.

No change was noted when assessing the ECL under the new model when compared to the previous policies applied by the Group.

3.2 Adoption of IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15, which became effective for the Group for the period beginning 1 July 2018. IFRS 15 introduced a five step approach to revenue recognition to provide users with more relevant, detailed disclosures about the timing and value of revenue recognised.

On adoption of IFRS 15 the Group elected not to restate the comparatives but rather recognise the cumulative effect of applying the new standard in equity at the date of initial application, in accordance with IFRS 15 par C3(b). Management performed an assessment on transition of the new standard and no quantitatively material adjustments were identified, as such no restatement to comparatives and no adjustment to opening retained earnings are required.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

3. NEW IFRS STANDARDS THAT ARE EFFECTIVE FOR THE CURRENT YEAR (continued)

3.2 Adoption of IFRS 15 Revenue from Contracts with Customers (continued)

The table below describes the major revenue generating activities identified in the Group and includes the accounting policy for recognition of revenue for each activity. An assessment of each category of revenue was performed by management and the impact of IFRS 15 has been considered in the table below.

Type of product/ service	Nature of performance obligations	Timing and recognition under IFRS 15	Recognition under IAS 18	Impact?
Design	The Group provides specialised design services to their customers for branding, advertising campaigns, retail outlets, packaging and similar items. The performance obligation for the Group is the delivery of the design project to the customer for their use. Each design is customised to the customer's specifications and may sometimes be part of a larger contract that includes printing and delivery as well.	The satisfaction of the performance obligation is considered to be fulfilled when the design has been completed and is delivered to the customer. The customer then has control over this design and the Group will also be entitled to receive payment. The transaction price of the design is calculated by estimating the costs of providing this service and then adding a mark-up. This is quoted to the customer before designing commences and a purchase order is signed. Variable consideration is possible but is specific to the customer; rebates are only offered to large retail customers and refunds are not likely as the performance obligation is only satisfied once the customer approves the design. Revenue for the designs is recognised at a point in time when the design is delivered to the customer and accepted by them.	Revenue was recognised when the risks and rewards of ownership were transferred to the customer on completion of the service and delivery of the design to the customer.	No impact.
Printing	The Group operates a large scale commercial printing service to its customers. The main performance obligation is the printing of these customer-specified designs into either a digital or physical format. These services can be provided in conjunction with – and normally are – logistics services as a value-add to the customer. These services will be considered to be one performance obligation within the contract as the services are not distinct.	The satisfaction of the performance obligation is considered to be fulfilled when the design has been printed and delivered by the Group to the customer and is in a format that is usable by the customer. The transaction price charged for this service is calculated by estimating the costs of providing the service and then adding a mark-up. This is quoted to the customer before printing commences and a purchase order is signed. Variable consideration is possible but is specific to the customer; rebates are only offered to large retail customers and refunds are only provided if the customer indicates that they are unsatisfied with the product received. Revenue is recognised at the point in time when the product is delivered to the customer and they have control over it.	Revenue was recognised when the risks and rewards of ownership were transferred to the customer on completion of the service and delivery to the customer.	No impact.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

3. NEW IFRS STANDARDS THAT ARE EFFECTIVE FOR THE CURRENT YEAR (continued)

3.2 Adoption of IFRS 15 Revenue from Contracts with Customers (continued)

Type of product/ service	Nature of performance obligations	Timing and recognition under IFRS 15	Recognition under IAS 18	Impact?
Storage/ warehousing	The Group provides storage and warehousing facilities to customers who require staggered delivery of their printed material. This will usually occur when the customer makes a bulk print order. This service is only provided to customers who have already accessed the printing services, however this qualifies as a separate performance obligation as the customer is able to benefit from the service with one that has already been provided in the contract with the customer.	The satisfaction of the performance obligation occurs over time as the customer enjoys the benefit of the service as the Group continues to provide it. An output method is used to recognise the revenue over time, by way of the monthly rates charged to the customer, as these coincide with performance completed to date. The cost of the storage will be determined via system rates that are internally generated and are based on costs to carry out the service with an added mark-up. These are then used to calculate the total price of the contract. This total is what will be charged to the customer, however the Group is able to separate the price of each performance obligation using these rates.	Revenue was recognised based on the stage of completion of the services completed for the customer to date.	No impact.
Software solutions	The Group offers its customers access to its digital software platforms, as well as software development services for use in their retail businesses over a stipulated duration of the contract with the customer. Access to the platforms is customised based on the needs of each customer and the performance obligation is the specific right to access and use of these software platforms by the customer.	The performance obligation is satisfied over time as the customer uses and enjoys the benefit as the Group performs (i.e. via providing access to, or developing the software) for the duration of the contract. The length of each contract will differ and is specific to each agreement with the customer. Consideration for the service provided is clearly stated in the contract with the customer and is based on predetermined rates that are internally generated and are based on costs to carry out the service with an added mark-up. These will be applied to the method used to measure the progress of satisfaction of the performance obligation to the customer. There is no variable consideration in these contracts as no discounts or refunds are offered.	Revenue was recognised based on the stage of completion of the services completed for the customer to date.	No impact

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

3. NEW IFRS STANDARDS THAT ARE EFFECTIVE FOR THE CURRENT YEAR (continued)

3.2 Adoption of IFRS 15 Revenue from Contracts with Customers (continued)

Type of product/ service	Nature of performance obligations	Timing and recognition under IFRS 15	Recognition under IAS 18	Impact?
Digital marketing solutions	The Group offers marketing solutions to its customers by way of digital marketing campaigns through various online channels and the provision of analytics data so as to manage promotional activity and consumer engagement. The contract with the customer is entered into on a project basis, with each contract being customised to the customer's needs. All items stipulated in the contract will be bundled together as a single performance obligation. The nature of the contracts differ, as some will require one time delivery of an advertising campaign and other contracts require brand management over time, the duration of which will be stipulated in the contract.	Satisfaction of the performance obligation can either occur over time if the contract requires continued advertising over a certain platform for a specified duration, or at a point in time if the delivery of the advertising services occurs through one time delivery for the customer's benefit. Consideration for advertising services are determined through pricing schedules and this method is considered to coincide with how much of the performance obligation has been completed to date. No variable consideration is included as there are no discounts, rebates or refunds offered to customers for these services.	Revenue was recognised on the stage of completion method.	No impact.
Imaging & photography	The Group provides photography and image services (access to stock photos, managed images, styled photography, etc.) and editing facilities. The performance obligation in the contract is the delivery of images to the customer for their use on product packaging or promotional items.	The performance obligation is satisfied at a point in time when the images are delivered to the customer. The consideration to be paid by the customer is determined based on rates schedules and variable consideration in the form of rebates can be included in the revenue recognised.	Revenue was recognised when the risks and rewards of ownership were transferred to the customer on completion of the service and delivery to the customer.	No impact.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

3. NEW IFRS STANDARDS THAT ARE EFFECTIVE FOR THE CURRENT YEAR (continued)

3.2 Adoption of IFRS 15 Revenue from Contracts with Customers (continued)

Type of product/ service	Nature of performance obligations	Timing and recognition under IFRS 15	Recognition under IAS 18	Impact?
Digital asset management	The Group has a performance obligation to offer access to a digital hosting library for customer images. This service will be provided over the duration of time specified in the contract with the customer.	The satisfaction of the performance obligation will occur over time, as the customer receives and enjoys the benefits of the service as the Group is providing it. An output method is used to recognise the revenue over time, by way of the monthly rates charged to the customer, as these coincide with performance completed to date. The revenue earned from hosting will be determined via a pricing schedule. Variable consideration in the form of rebates are offered to customers and included in the consideration to be paid by the customer.	Revenue was recognised based on the stage of completion of the services completed for the customer to date.	No impact.
Distribution income from the sale of published material	The Group earns revenue from the distribution of published material (i.e. books) on behalf of publishing houses to book retailers. The contract with the customer has a single performance obligation, being the dispatch and delivery of each book to the retailer.	The performance obligation is considered to be satisfied when the book has been delivered to the retailer and is thus available for sale to the end consumer, as this is when the customer will be able to benefit from control of the asset. Revenue will be recognised at a point in time as each shipment of material is delivered. The consideration for the distribution services is charged based on stipulated rates and no refunds or rebates are offered to the customer.	Revenue was recognised when the risks and rewards of ownership were transferred to the customer on completion of the service and delivery to the customer.	No impact.
Film distribution	Revenue is earned from the distribution of films on various platforms including; cinemas, video-on-demand, DVDs and television. The contract allows the customer right of use for the film on any one of these platforms for the duration specified in the contract. The performance obligation for the Group is the delivery of the master copy, or access to it, for use by the customer.	The performance obligation is considered to be satisfied at the point in time in which the master copy of the film is delivered, or access granted, to the customer, as this is the point at which control is transferred and the customer is able to use the film for their benefit. The consideration for distribution will be determined through revenue-sharing arrangements with the distributors, based on an agreed-upon percentage for each party to the contract. No refunds are offered under this revenue stream and neither will there be rebates or discounts offered to distributors, thus no variable consideration to be considered.	Revenue was recognised when the risks and rewards of ownership were transferred to the customer on completion of the service and delivery to the customer.	No impact.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

3. NEW IFRS STANDARDS THAT ARE EFFECTIVE FOR THE CURRENT YEAR (continued)

3.2 Adoption of IFRS 15 Revenue from Contracts with Customers (continued)

Type of product/ service	Nature of performance obligations	Timing and recognition under IFRS 15	Recognition under IAS 18	Impact?
Music sales	The Group generates revenue from the sale of music in both physical and digital formats to distributors of musical content. The contract with the customer has a single performance obligation, being the delivery of physical CD or digital audio files to the customer.	The performance obligation is satisfied when the physical or digital music is delivered to the customer and becomes available for on-selling to the end consumers (i.e. general members of the public). Revenue for the sale of music will be recognised at the point in time at which the music is physically delivered, or the digital audio file has been uploaded onto the streaming platforms and becomes accessible to the public. Consideration for physical music sales is determined based on the costs incurred to produce the music, with an additional mark-up. For the digital music, it will be the market-related prices relevant to the various streaming platforms. Variable consideration is included, as the Group offers trade discounts to the customer, as well as incentives based on target sales reached. Refunds are available, however these will be limited to the physical music sales.	Revenue was recognised when the risks and rewards of ownership were transferred to the customer on completion of the service and delivery to the customer.	No impact.
Royalty income	The Group earns revenue through the right of use of intellectual property, being music. This occurs when music is played on radio, TV and similar platforms that the Group has retained the rights to. No contracts are in place, as the entity owning the rights is a member of the collection societies in South Africa. Each song is registered with these societies in order for the Group to receive the revenue. The Group has the right to receive the revenue for all collections once a song has been registered. The performance obligation is considered to be the granting of the right of use of the music on a usage basis to the customer.	The performance obligation is satisfied at the point in time when the music is used, as that will be considered to be the point at which the Group has granted this right of use to the customer for their benefit. The consideration received for royalties is based on the rates applied by the collection societies (for example the Southern African Music Rights Organisation (SAMRO). Variable consideration exists in this instance in so far as the amount receivable for royalties is contingent on the usage of the music during any period. Revenue is received periodically from the collection societies in line with their distribution cycle, meaning that there will be a time lag between the period the usage of intellectual property occurs and the period in which the revenue for this usage is received. This will occur within a few months, thus no significant financing component is included in the consideration. There is no variable consideration included in this revenue and no refunds offered by the collection societies.	Revenue was recognised on the accrual basis.	No impact

The Group applies payment terms of 30 to 60 days to all its customers. As such, the Group will not adjust the amount of consideration for any products or services delivered for the effects of the time value of money, as there will be no significant financing component contained in the contracts with customers.

Additionally, there are no obligations for warranties related to the above revenue streams.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations considered to be relevant to the operations of the Group are not yet effective for the year ended 30 June 2019, and have not been applied in preparing these consolidated financial statements. These are to be applied to financial statements with periods commencing on or after the following dates:

Standard and Interpretations	Effective date
IFRS 16 Leases	1 January 2019
IAS 19 Employee benefits	1 January 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	1 January 2019
Prepayment features with negative compensation (Amendments to IFRS 9)	1 January 2019
Long term interests in associates and joint ventures (Amendments to IAS 28)	1 January 2019
Plan amendment, curtailment or settlement (Amendments to IAS 19)	1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020

IFRS 16 Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces the previous leases Standard, *IAS 17 Leases*, and related interpretations. IFRS 16 has one model for lessees which will result in almost all leases being recorded on the statement of financial position. No significant changes have been included for lessors. The Group does not intend on early adopting IFRS 16. IFRS 16 will be adopted for the Group for the year ending 30 June 2020. Under the previous guidance in IAS 17, a lessee had to make a distinction between a finance lease (on the statement of financial position) and an operating lease (off the statement of financial position). The new standard requires the lessee to recognise all lease contracts on the statement of financial position. The only optional exemptions are for certain short-term leases and leases of low-value assets.

The Group will not be applying the recognition and measurement requirements of IFRS 16 to short term leases less than twelve months and low-value leases.

The Group has elected to apply the modified retrospective approach on transition. The effect of the transition to IFRS 16 will be that the right of use asset will equal the lease liability, with the exception of the adjustment for the lease smoothing liability. The cumulative effect on transition to IFRS 16 will be recognised in retained earnings at 1 July 2019 and is not expected to be material. Figures from the comparative period will not be restated.

In determining the right of use asset and the lease liability in accordance with IFRS 16, management's judgements included the use of the Group's incremental borrowing rate of 10.65%, as it is consistent with the Group's current debt structure. It was impractical for management to determine the interest rate implicit in each individual lease, and as such the incremental borrowing rate was used. This is consistent with the requirements of IFRS 16.

The Group considered the effects of implementing IFRS 16 and assessed that the new standard would have had the following effects on its continuing operations during the current year, increase/(decrease) to net asset value:

Consolidated statement of financial position effect (excluding impact on non-current assets held for sale) if IFRS 16 had been in effect in the current year, increase/(decrease) to net asset value:

	R'000
The recognition of right of use assets	644,696
The recognition of lease liabilities	(680,676)
The derecognition of lease payments	70,157
Net impact on the consolidated statement of financial position	34,177

Consolidated statements of profit and loss and other comprehensive income effect on continuing operations if IFRS 16 had been in effect in the current year, increase/(decrease) to profit:

	R'000
The decrecognition current lease rental expenses	(70,157)
The recognition of depreciation	49,570
The recognition of interest	72,657
The derecognition of the straight-lining lease expense	(22,149)
Net impact on the consolidated statements of profit and loss and other comprehensive income	29,921

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)

Other Standards not yet adopted

The Group does not believe the following amendments will have a significant impact on the Group's financial results.

IAS 19 Employee Benefits

Amendments have been made to the following terms: Plan Amendment, Curtailment or Settlement.

If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

The Group has reviewed its PRMA and has confirmed that these amendments will not have an impact on the Group's financial results.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 is applied to determine whether taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits and tax rates, includes uncertainty over income tax treatments under IAS 12. An entity is required to use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty.

The Group has reviewed its income tax treatments and believes that these amendments will not have an impact on the Group's financial results.

Annual Improvements to IFRS Standards 2015–2017 Cycle

IFRS 3 Business combinations and IFRS 11 Joint arrangements

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 Income taxes

The amendments clarify the requirements to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised, and this is applied to all income tax consequences of dividends.

IAS 23 Borrowing costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

Long term Interests in Associates and Joint Ventures (Amendments to IAS 28)

Clarifies that an entity applies IFRS 9 to long term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Definition of a Business (Amendments to IFRS 3)

The amendments are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only.

Definition of Material (Amendments to IAS 1 and IAS 8)

The amendments clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

5. REVENUE

The Group derives its revenue from contracts with customers for the transfer of goods and services, over time and at a point in time, from the following major revenue streams. This is consistent with the revenue information that is disclosed for each reportable segment (refer note 46).

Disaggregation of revenue by major category:

	Audited 30 June 2019 R'000	Restated* Audited 30 June 2018 R'000
Design	**96,033**	87,476
Printing	**2,086,508**	1,769,757
Storage/warehousing	**8,179**	8,286
Software solutions	**12,804**	12,223
Digital marketing solutions	**11,812**	13,690
Imaging & photography	**4,627**	2,687
Digital asset management	**26,396**	16,994
Distribution income from the sale of published material	**67,258**	65,583
Film distribution	**4,190**	3,286
Music sales	**15,357**	13,596
Royalty income	**22,103**	21,626
Other	**4,950**	3,359
Sold and discontinued during the year^	**2,079**	1,041,012
	2,362,296	3,059,575

* *Refer note 1.3.1.*

^ *On disposal of 3.4% interest in Robor in the prior year, there was a step-down from a subsidiary to an associate. Revenue from the sale of steel products in Robor has been included for the first six months of the 2018 financial year up to date of sale. In the current year, revenue earned by STS has been included for the period the company was still a subsidiary of the Group. STS earns its revenue through offering technology solutions.*

Disaggregation of revenue by timing of revenue recognition:

	Audited 30 June 2019 R'000	Restated* Audited 30 June 2018 R'000
Revenue recognised at a point in time	**2,281,002**	2,986,756
Revenue recognised over time	**81,294**	72,819
	2,362,296	3,059,575

* *Refer note 1.3.1.*

The Group does not enter into arrangements with deferred payment terms that exceed twelve months, therefore there is no significant financing component accounted for.

The Group applies the practical expedient approach which allows revenue to be recognised in line with the value of the Group's performance completed to date.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

6. NET (LOSS)/PROFIT

Net (loss)/profit for the year is arrived at after taking into account the following:

Items by nature

	Audited 30 June 2019 R'000	Restated* Audited 30 June 2018 R'000
Investment income		
Dividend income	–	797
Interest income	**1,243**	576
Income arising on sub-letting	**9**	1,267
Other income		
Release of PRMA provision	–	2,002
Release of contingent considerations	–	3,039
Depreciation, amortisation and straight lining of leases		
Depreciation	**(72,253)**	(79,927)
Amortisation	**(51,024)**	(24,176)
Straight lining of leases	**(12,234)**	(6,856)
Employee benefits expenses (excluding amounts paid to Tiso Blackstar Directors)#		
Salaries and wages	**(455,925)**	(568,549)
Medical and other post-retirement benefits	**(25,803)**	(33,201)
Pension – Defined contribution plan	**(28,519)**	(19,672)
# *Refer note 42.*		
Share based payment expenses^		
FSP share based payment expense	**(14,944)**	(5,373)
Share based payment expense of subsidiary for discontinued incentive scheme exercised	–	(455)
^ *Refer note 43.*		
Fees paid		
Legal and consulting fees	**(14,086)**	(8,522)
Rental expenses	**(72,973)**	(87,396)

* *Refer note 1.3.1.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

6. NET (LOSS)/PROFIT (continued)

	Audited Year ended 30 June 2019 R'000	Restated* Audited Year ended 30 June 2018 R'000
Auditors' remuneration		
Total audit fees	**(7,255)**	(6,645)
Fees payable to Deloitte and their associates for the audit of the Company's annual accounts	**(3,191)**	(3,382)
Fees payable to Deloitte and their associates for other services to the Group:		
The audit of the Company's subsidiaries	**(3,590)**	(2,397)
Fees payable to BDO and their associates for the audit of the Company's annual accounts (under provision from prior year)	**–**	(128)
Fees payable to other auditors for other services to the Group:		
The audit of the Company's subsidiaries	**(474)**	(738)
Audit-related assurance services[1]	**(1,565)**	(1,161)
Impairment (raised)/reversed		
Impairments arising on trade receivables	**(7,988)**	(3,844)
Recovery of previously written off trade receivables	**634**	7,883
Impairments on property, plant and equipment	**(197)**	–
Impairments on intangible assets	**(9,493)**	(761)
Other (losses)/gains		
Net foreign exchange gains	**2,153**	6,864
Movement in provisions and other financial liabilities	**(2,230)**	(114)
Non-recurring costs incurred on relocation of Hirt & Carter Group	**(46,882)**	–
Fair value loss on contingent consideration owing on acquisition of subsidiary	**(46,483)**	–
(Loss)/Profit on disposal of property, plant and equipment	**(479)**	553
Unrealised fair value gains on investment properties	**–**	36
Profit on disposal of intangible assets	**–**	25,000
Unrealised (losses)/gains arising on equity investments (listed and unlisted)	**(954)**	954
Realised gain/(loss) arising on disposal of a listed equity investment	**827**	(2,715)
(Losses)/gains arising on consolidated subsidiaries and equity accounted associates	**(83,553)**	(41,241)
Impairment of loans to associates and other loans and receivables	**(68,303)**	–
Gain on loss of control in Robor	**–**	5,821
Loss on part disposal of KTH	**–**	(44,963)
Losses relating to disposal of subsidiaries/business	**(16,400)**	(2,099)
Gain on disposal of associates	**1,150**	–

* *Refer note 1.3.1.*

[1] *Post year end, audit-related assurance services of R3.1 million in relation to the Transaction were earned by Deloitte.*

Defined contribution plans

The Group operates defined contribution retirement benefit plans for all qualifying employees. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The total expense recognised in profit or loss of R28.5 million (2018: R19.7 million) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 30 June 2019, no contributions were due in respect of the current year.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

7. NET FINANCE COSTS

	Audited 30 June 2019 R'000	Restated* Audited 30 June 2018 R'000
Finance income	**4,464**	4,569
Interest income on bank balances	**4,300**	2,496
Interest income on trade and other receivables	**150**	46
Interest income on other	**14**	2,027
Finance costs	**(150,577)**	(176,328)
Interest expense on bank overdrafts	**(17,668)**	(42,020)
Interest expense and on borrowings from banks	**(105,182)**	(119,026)
Guarantee fees (refer note 40)	**(5,815)**	–
Interest expense on non-controlling interest loan	**(916)**	(324)
Interest expense on finance lease and instalment sale obligations	**(17,583)**	(14,878)
Interest expense on other financial liabilities and trade and other payables	**(3,413)**	(80)
	(146,113)	(171,759)

* *Refer note 1.3.1.*

8. TAXATION

	Audited 30 June 2019 R'000	Restated* Audited 30 June 2018 R'000
Total tax (charge)/credit for the year from continuing operations		
Current taxation	**(35,475)**	(64,812)
Current year	**(33,876)**	(51,994)
Prior year under provision	**(1,599)**	(12,818)
Deferred taxation	**18,196**	23,829
Current year	**18,241**	12,046
Prior year (under)/over provision	**(45)**	11,783
Capital gains tax	**–**	(90)
Securities Transfer Tax	**(475)**	–
	(17,754)	(41,073)

	Audited 30 June 2019 R'000	Restated* Audited 30 June 2018 R'000
Total tax credit/(charge) for the year from discontinued operations		
Current taxation	**5,448**	(2,637)
Current year	**(9,454)**	(5,388)
Prior year over provision	**14,902**	2,751
Deferred taxation	**22,348**	(17,078)
Current year	**9,424**	12,652
Prior year over/(under) provision	**12,924**	(29,730)
	27,796	(19,715)
Total tax charge for the year recognised directly in equity		
Current taxation	**(593)**	(2,558)

* *Refer note 1.3.1.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

8. TAXATION (continued)

The Group mainly operates in South Africa and the operations are taxed at the South African tax rate of 28%. For this reason, the analysis of the tax charge provided below is performed using the South African tax rate of 28%. The reason for the difference between the actual tax charge for the year and the standard rate of corporate tax in South Africa of 28%, are as follows:

Tax rate reconciliation

	Audited 30 June 2019 R'000	Restated* Audited 30 June 2018 R'000
Adjusted loss before tax from continuing operations	**(279,167)**	(91,664)
Loss before tax from continuing operations	**(425,939)**	(197,697)
Add: Share of loss/(profit) of associates – equity accounted	**150,689**	(159,570)
Add: (Reversal of impairment loss)/impairment loss on associates – equity accounted	**(3,917)**	265,603
Adjusted loss before tax from discontinued operations	**(145,918)**	(128,618)
Loss before tax from discontinued operations	**(131,885)**	(120,146)
Add: Share of profit of associates – equity accounted	**(13,887)**	(12,823)
Add: (Reversal of impairment loss)/impairment loss on associates – equity accounted	**(146)**	4,351
Total adjusted loss before tax	**(425,085)**	(220,282)
Tax at standard rate of corporate tax in South Africa of 28%	**(119,024)**	(61,679)
Differing foreign tax rates	**24,967**	16,772
Change in tax allowances	**(1,366)**	–
Change in tax rates	**–**	2,619
Loss on disposal of assets	**16,995**	61,562
Impairments of investments, loans and receivables	**23,786**	45,108
BBS contingent consideration	**18,439**	–
Non-deductible legal and consulting fees	**4,647**	3,126
Non-deductible expenses in UK	**3,909**	85
FSP share based payment expense not deductible in UK	**196**	64
Dividend income	**–**	(40,082)
Contingent liabilities raised on deemed acquisitions	**–**	(3,017)
Loss on remeasurement to fair value less costs to sell	**28,846**	(11,695)
Release of foreign currency translation reserve of CSI disposal group	**3,260**	–
(Over)/Under provision from prior years	**(26,182)**	28,014
Tax losses unutilised	**14,912**	37,727
Tax losses raised	**(3,902)**	(17,906)
Capital gains tax	**–**	90
Securities Transfer Tax	**475**	–
Total tax credit/(charge) for the year from continuing and discontinuing operations	**(10,042)**	60,788

* *Refer note 1.3.1.*

The tax rate reconciliation has been shown on a total basis which includes continuing and discontinued operations. Due to certain divisions remaining within the continuing structures, whilst the legal entities to which these divisions belong are being sold to Lebashe, management believe that presenting the tax rate reconciliation on a combined basis presents the users with more useful information regarding the various tax movements.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

9. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE

9.1 Reclassification in terms of IFRS 5 – Media, Broadcast and Content and the African Investments disposal groups

Disposal Transaction

On 27 June 2019, Tiso Blackstar announced that it signed an agreement for the disposal of TBG SA Group to Lebashe for a purchase consideration of R800.0 million, subject to certain adjustments. On 29 July 2019, the Company further announced that it had formalised the agreements to dispose of Africa Radio and SA Radio to Lebashe for additional considerations of R200.0 million and R50.0 million respectively. The sale of TBG SA Group, Africa Radio and SA Radio are collectively referred to as the "Transaction". The total purchase consideration in respect the Transaction is R1,050.0 million, subject to certain adjustments.

A circular to shareholders ("Circular") detailing the Transaction as well as some other matters was distributed to shareholders on 20 September 2019 and the resolutions were approved at the Extraordinary General Meeting of the Company's shareholders on 23 October 2019.

As noted in the Circular, the Transaction will be implemented as follows:

a) The Restructure

The Transaction requires an internal restructuring ("Restructuring") to be implemented as a first step, in terms of an implementation agreement ("Restructuring Agreement"). The Restructuring will constitute Tiso Blackstar Group's existing interests in its media, broadcast and content businesses in South Africa, Ghana, Nigeria and Kenya in separate legal entities which are capable of being disposed of to Lebashe under the Transaction.

b) The TBG SA Group sale

TBG SA Group comprise:
- Media segment, which owns and operates various premier national, regional and community newspapers, magazines and digital publications in consumer, business and specialist fields; and
- some of the Broadcast and Content segment, which comprise certain business divisions which operate in the creation of media content and the sale of content for broadcasting thereof through the means of television and film.

In terms of the agreement all of the equity and claims in TBG housing the TBG SA Group were sold on 5 November 2019 to Lebashe for a purchase consideration of R800.0 million adjusted for debt, cash and normalised working capital and for any movement in tangible net asset value.

c) The Africa Radio sale

In terms of the Africa Radio sale agreement, Tiso Blackstar Holdings will sell 100% of its shares in and claims against Africa Investment Holdings Limited for consideration of R200.0 million to Lebashe, which, in turn, enables Lebashe to acquire Tiso Blackstar Holdings' interests in each of Tiso Blackstar's African radio assets in Nigeria, Ghana and Kenya, comprising 24.5% of the shares in Cooper Communications Limited ("Coopers Nigeria"), 32.2% of the shares in Multimedia Group Limited ("Multimedia Ghana") and 49.0% of the shares in Radio Africa Limited ("Radio Africa Kenya").

The Africa Radio sale results in a disposal of the entire Africa (excluding South Africa) segment of the Group.

d) The SA Radio sale

In terms of the SA Radio sale agreement, the shares in the companies housing the South African radio businesses Rise FM and Vuma 103 FM, respectively will be sold to Lebashe for an amount of R50.0 million. This will result in Lebashe holding 100% of the issued share capital in Rise Broadcast Proprietary Limited ("Rise Broadcast") and Vuma 103 FM Proprietary Limited ("Vuma") and, accordingly, acquiring the South African Radio assets.

Rise Broadcast and Vuma form part of the Broadcast and Content segment as major lines of its businesses.

Impact on Tiso Blackstar's financial reporting

The Transaction is a fundamental input in the preparation of the annual financial statements for the current reporting period impacting the valuation and classification of the assets and liabilities identified for sale with reference to the sales agreements in accordance with IFRS 5. The Transaction has also been taken into consideration in the detailed review of the Group's liquidity and solvency position at the reporting date taking into account all possible future cash flows and scenarios (refer to note 41).

The Media, Broadcast and Content disposal groups (comprising of TBG SA Group and SA Radio), and the African Investments disposal group (comprising of Africa Radio) have been classified and presented as non-current assets held for sale and discontinued operations at 30 June 2019 in terms of IFRS 5. In accordance with IFRS 5, profit and loss for the comparative year ended 30 June 2018 has been reclassified, to reflect Media, Broadcast and Content disposal groups, and the African Investments disposal group as discontinued operations.

The debt and cash included in the businesses that are being sold have not been classified as held for sale as the structure of the transaction results in these balances being settled by the proceeds received.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

9. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE (continued)

9.1 Reclassification in terms of IFRS 5 – Media, Broadcast and Content and the African Investments disposal groups (continued)

Purchase consideration and application

A portion of the R800.0 million purchase consideration in respect of the TBG SA Group sale was utilised to settle, in full, any debt and bank overdrafts held by TBG.

Proceeds from the Africa Radio and SA Radio sales will also be used to fully settle the debt relating to the KTH acquisition, to reduce any bank overdrafts held by the remaining Group, and to reduce debt held by Hirt & Carter Group to appropriate levels.

9.2 Amendment in terms of IFRS 5 and IAS 28 – Robor and KTH

The investment in Robor met the requirements of IFRS 5 in the prior financial year, and was separately classified and presented as a non-current asset held for sale and a discontinued operation at 30 June 2018. It was anticipated that the disposal of Robor would be achieved through a sale of shares envisaged to be completed in accordance with a disposal plan. However, due to a change in circumstances prior to year end, the plan to dispose of Robor in the near future had to be abandoned and in September 2019 Robor was placed into voluntary liquidation.

Tiso Blackstar's 20.01% interest in KTH, was identified as a non-core asset earmarked for sale and accounted for as a non-current asset held for sale and a discontinued operation in terms of IFRS 5 with effect from June 2016, as a result of the Group entering into a sales agreement to dispose of the asset.

On publication of the Integrated Annual Report for the year ended 30 June 2018, the KTH shareholders had appointed an independent party to advise on the most optimal approach to meet the desired shareholders' objectives, which included Tiso Blackstar's plan to dispose of its entire interest in KTH. It was highly anticipated that this KTH disposal plan would be completed by 30 June 2019.

Tiso Blackstar could however not come to reasonable sale terms for its KTH interest with other KTH shareholders, both in terms of value and an appropriate amount of cash. The board reconsidered its position and decided that the most responsible approach would be to continue to hold the investment, and to work together with the other KTH shareholders and management, with the aim of increasing the overall value of KTH. Tiso Blackstar's long term view continues to be to dispose of its interest in KTH, but only once this can be successfully executed at a price which is reflective of the fair value of this investment. The board believes that this strategy will in the long term yield a better return for shareholders.

As a result of the aforementioned events, the interests in Robor and KTH are no longer accounted for as non-current assets held for sale (held at fair value less costs to sell) but rather accounted for as investment in associates being equity accounted and tested for impairment annually.

Per IAS 28, when an investment in associate previously classified as held for sale no longer meets the criteria to be so classified, it shall be accounted for using the equity method retrospectively as from its date of classification as held for sale. The annual financial statements for the periods since classification as held for sale have been amended accordingly.

The interests in Robor and KTH have therefore been accounted for as investment in associates in accordance with IAS 28 effective from the initial date on which they were classified as held for sale being 30 June 2018 and 1 July 2016 respectively. Comparative figures have been amended for these changes in classification.

9.3 CSI disposal group

The investment in CSI met the requirements of IFRS 5 in both the current and prior financial years, and was separately classified and presented as a non-current asset held for sale and a discontinued operation at 30 June 2018 and up to the date of disposal. The entire investment in CSI (including shares and claims) was disposed of effective 30 November 2018 for an amount of R50.0 million. R20.0 million was received in cash and the balance accrues interest repayable monthly until settlement.

Post year end, an agreement has been reached with CSI, which is still subject to achievement of certain conditions precedent, to settle the outstanding liability owing to Tiso Blackstar with a payment of R25.0 million (interest will continue to accrue and be settled monthly on the original outstanding amount until payment is made). As a result, the loan was impaired by R5.0 million at 30 June 2019 (refer note 18).

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

9. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE (continued)

9.4 Reclassification and amendment of the consolidated statements of profit and loss and other comprehensive income

The effect of the aforementioned reclassifications for the Media, Broadcast and Content and African Investments disposal groups, and the amendment for KTH and Robor had the following impact on the consolidated statements of profit and loss and other comprehensive income for the year ended 30 June 2018:

	Adjustments					
	Previously reported[1] R'000	Amendment for KTH – previously a discontinued operation	Previously reported[2]	Reclassified and amended discontinued operations – Media, Broadcast and Content and African Investments disposal groups R'000	Amendment for Robor – previously a discontinued operation R'000	Restated R'000
Continuing operations						
Revenue	3,813,318	1,463	3,814,781	(1,759,521)	1,004,315	3,059,575
Net profit	233,616	(43,501)	190,115	(121,955)	11,935	80,095
Net finance costs	(145,565)	–	(145,565)	(1,012)	(25,182)	(171,759)
Finance income	7,026	–	7,026	(2,696)	239	4,569
Finance costs	(152,591)	–	(152,591)	1,684	(25,421)	(176,328)
Share of profit of associates – equity accounted	13,538	169,072	182,610	(12,823)	(10,217)	159,570
Impairment loss of investment in associates – equity accounted	(4,351)	(265,603)	(269,954)	4,351	–	(265,603)
(Loss)/Profit before taxation	97,238	(140,032)	(42,794)	(131,439)	(23,464)	(197,697)
Taxation	(77,254)	(410)	(77,664)	34,927	1,664	(41,073)
(Loss)/Profit from discontinued operations	19,984	(140,442)	(120,458)	(96,512)	(21,800)	(238,770)
Loss from discontinued operations, net of taxation	(295,643)	37,470	(258,173)	96,512	21,800	(139,861)
Loss for the year	(275,659)	(102,972)	(378,631)	–	–	(378,631)
Other comprehensive income/(loss), net of taxation	9,746	(5,392)	4,354	–	–	4,354
Items that may subsequently be reclassified to profit and loss:						
Currency translation differences on the translation of foreign operations	7,494	(9,299)	(1,805)	–	–	(1,805)
Other comprehensive income of equity accounted associates	–	1,589	1,589	–	–	1,589
Items that will not subsequently be reclassified to profit and loss:						–
Actuarial gains on Post-retirement medial aid ("PRMA")	2,252	–	2,252	–	–	2,252
Other comprehensive income of equity accounted associates	–	2,318	2,318	–	–	2,318
Total comprehensive loss for the year	(265,913)	(108,364)	(374,277)	–	–	(374,277)
Basic loss per ordinary share (in cents) attributable to equity holders	(104.11)	(38.85)	(142.96)	–	–	(142.96)
Diluted loss per ordinary share (in cents) attributable to equity holders	(102.36)	(38.19)	(140.55)	–	–	(140.55)
Basic headline loss per ordinary share (in cents) attributable to equity holders	(47.09)	17.66	(29.43)	–	–	(29.43)
Diluted headline loss per ordinary share (in cents) attributable to equity holders	(46.29)	17.35	(28.94)	–	–	(28.94)

1 *Amounts previously reported as per the 30 June 2018 Integrated Annual Report.*

2 *30 June 2018 amounts previously reported as per the 31 December 2018 reviewed condensed consolidated interim financial statements.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

9. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE (continued)

9.5 Amendment of the consolidated statement of financial position

The effect of the investment in the associates KTH and Robor, previously classified as a non-current asset held for sale ("NCAHFS") no longer meeting the requirements to be classified, had the following impact on the prior year's consolidated statement of financial position:

	Previously reported[1] R'000	Amendment for KTH – previously a NCAHFS R'000	Previously reported[2] R'000	Amendment for Robor – previously a NCAHFS R'000	Restated R'000
30 June 2018					
ASSETS					
Non-current assets					
Investment in associates – equity accounted	360,316	1,089,320	1,449,636	137,595	1,587,231
Non-current assets held for sale	2,449,829	(1,263,537)	1,186,292	(137,595)	1,048,697
	2,810,145	(174,217)	2,635,928	–	2,635,928
EQUITY					
Capital and reserves attributable to the Group's equity holders					
Other reserves	28,383	3,653	32,036	–	32,036
Foreign currency translation reserve	(62,276)	(3,823)	(66,099)	–	(66,099)
Accumulated losses	(145,344)	(174,047)	(319,391)	–	(319,391)
	(179,237)	(174,217)	(353,454)	–	(353,454)

[1] *Amounts previously reported as per the 30 June 2018 Integrated Annual Report.*
[2] *Amounts previously reported as per the 31 December 2018 reviewed condensed consolidated interim financial statements.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

9. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE (continued)

9.6 Discontinued operations

9.6.1 Results from the discontinued operations

The results from the discontinued operations which are included in the consolidated statements of profit and loss and other comprehensive income are as follows:

	Audited Year ended 30 June 2019 R'000	Restated* Audited Year ended 30 June 2018 R'000
Discontinued operations		
Revenue	**2,917,404**	4,269,590
Net loss	**(124,473)**	(79,724)
Net finance costs	**(21,445)**	(48,894)
Finance income	**1,087**	2,853
Finance costs	**(22,532)**	(51,747)
Share of profit of associates – equity accounted	**13,887**	12,823
Reversal of impairment loss/(impairment loss) on associates – equity accounted	**146**	(4,351)
Loss before taxation	**(131,885)**	(120,146)
Taxation	**27,796**	(19,715)
Loss for the year from discontinued operations	**(104,089)**	(139,861)
Loss for the year attributable to		
Equity holders of the parent	**(96,581)**	(140,574)
Non-controlling interest	**(7,508)**	713
	(104,089)	(139,861)
Cash flows utilised by discontinued operation		
Cash generated by operating activities	**121,303**	204,243
Cash utilised by investing activities	**(64,617)**	(42,194)
Cash utilised by financing activities	**(1,428)**	(83,516)
Net cash inflows	**55,258**	78,533

* *Refer note 1.3.1.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

9. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE (continued)

9.6 Discontinued operations (continued)

9.6.2 Loss for the year from discontinued operations

Loss for the year from discontinued operations has been arrived at after (charging) crediting the following:

	Audited Year ended 30 June 2019 R'000	Restated* Audited Year ended 30 June 2018 R'000
Depreciation, amortisation and straight lining of leases		
Depreciation	**(27,159)**	(51,810)
Amortisation	**(34,766)**	(38,932)
Straight lining of leases	**(6,467)**	(133)
Impairment (raised)/reversed		
Expected credit losses	**(1,400)**	(732)
Recovery of previously written off trade receivables	**288**	313
Impairments arising on trade receivables	**(15,268)**	(1,756)
Impairment of CSI loan receivable	**(5,000)**	–
Impairment of other receivables	**(7,000)**	–
Fees paid		
Legal and consulting fees	**(39,676)**	(41,220)
Employee benefits expenses		
Salaries and wages	**(591,299)**	(614,862)
Medical and other post-retirement benefits	**(16,902)**	(13,948)
Pension – Defined contribution plan	**(14,891)**	(27,262)
Share based payment expense^		
FSP share based payment expense	**(11,136)**	(4,083)

^ *Refer note 43.*

Defined contribution plans

The Group operates defined contribution retirement benefit plans for all qualifying employees. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The total expense recognised in profit or loss of R14.9 million (2018: R27.3 million) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 30 June 2019, no contributions were due in respect of the current year.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

9. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE (continued)

9.6 Discontinued operations (continued)

9.6.2 Loss for the year from discontinued operations (continued)

	Audited Year ended 30 June 2019 R'000	Restated* Audited Year ended 30 June 2018 R'000
Auditors' remuneration		
Total audit fees	**(3,419)**	(1,663)
Fees payable to Deloitte and their associates for other services to the Group:		
The audit of the Company's subsidiaries	**(3,419)**	(1,663)
Fees payable to other auditors for other services to the Group:		
The audit of the Company's subsidiaries	**(208)**	(211)
Audit-related assurance services	**(399)**	(1,071)
Other services	**(70)**	(309)
Other (losses)/gains		
Loss on remeasurement to fair value less costs to sell for African Investments disposal group	**(154,760)**	–
Loss on remeasurement to fair value less costs to sell for Media, and Broadcast and Content disposal groups	**(59,269)**	–
Loss on remeasurement to fair value less costs to sell for CSI disposal group	**(10,704)**	(178,771)
Release of foreign currency translation reserve of CSI disposal group	**(11,644)**	–
Non-recurring costs	**(9,933)**	(8,333)
Profit on disposal of property, plant and equipment	**2,775**	934
Profit on disposal of intangible assets	**30**	–

* *Refer note 1.3.1.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

9. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE (continued)

9.7 Non-current assets and liabilities held for sale

The African Investments, and the Media, Broadcast and Content disposal groups, are classified and presented as non-current assets held for sale at 30 June 2019 (2018: CSI disposal group), and are valued at the lower of carrying value and fair value less costs to sell.

	Audited Year ended 30 June 2019 R'000	Restated* Audited Year ended 30 June 2018 R'000
Non-current assets held for sale		
Property, plant and equipment	**70,727**	130,158
Goodwill#	**405,306**	–
Intangible assets#	**382,535**	11,098
Investment in associates – equity accounted	**202,206**	–
Other investments, loans and receivables	**–**	4,034
Deferred taxation	**49,068**	27,764
Cash and cash equivalents	**–**	41,633
Other current assets	**381,952**	834,010
	1,491,794	1,048,697
Non-current liabilities associated with non-current assets held for sale		
Borrowings	**7,313**	–
Finance lease and instalment sale obligations	**898**	29,117
Post-retirement benefits liabilities and provisions	**70,633**	–
Deferred taxation	**92,501**	16,879
Bank overdrafts and other short term borrowing facilities	**–**	400,301
Other current liabilities	**315,719**	602,400
	487,064	1,048,697

* *Refer note 1.3.1.*

\# *Reflected net of impairment raised on remeasurement to fair value less costs to sell as disclosed in note 9.6.2.*

9.8 Bank collateral

The shares in BHG and shares in CSI (until date of sale) are held as security by Rand Mechant Bank ("RMB") and Standard Bank Limited ("Standard Bank") (refer note 26).

10. OTHER COMPREHENSIVE (LOSS)/INCOME, NET OF TAXATION

Other comprehensive (loss)/income comprises the foreign currency translation adjustments recognised in the foreign currency translation reserve and other comprehensive (loss)/income of equity accounted associates. These currency adjustments arise on translation of the Group's investments in its African-based associates, Radio Africa Kenya, Multimedia Ghana and Coopers Nigeria, as well as the African-based foreign operations held by BHG and CSI, to the Group's functional currency Rands at the closing rate at 30 June 2019.

Items recognised in other comprehensive (loss)/income comprise of the following:

	Audited Year ended 30 June 2019 R'000	Restated* Audited Year ended 30 June 2018 R'000
Included in other comprehensive loss from continuing operations:	**(24,499)**	(3,616)
Currency translation differences on the translation of foreign operations	**78**	1,777
Other comprehensive loss of equity accounted associates	**(24,577)**	(5,393)
Included in other comprehensive (loss)/income from discontinued operations:	**(9,175)**	7,970
Currency translation differences on the translation of foreign operations	**(19,035)**	5,718
Reclassification of foreign currency translation reserve on disposal of subsidiary	**11,644**	–
Actuarial (loss)/gain on PRMA	**(1,784)**	2,252
	(33,674)	4,354

* *Refer note 1.3.1.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

11. EMPLOYEES

The average number of employees (excluding Tiso Blackstar Directors which is disclosed in note 42) during the year for the Company and its consolidated subsidiaries for continuing and discontinued operations, by function, were as follows:

	Audited 30 June 2019	Audited 30 June 2018
Managerial	**227**	320
Administrative	**466**	752
Sales and marketing	**454**	444
Operational	**2,038**	2,257
	3,185	3,773

Of the 3,185 employees in the current year, 2,024 are included in continuing operations and 1,161 are included in discontinued operations.

12. LOSS PER ORDINARY SHARE, NET ASSET VALUE PER ORDINARY SHARE, TANGIBLE NET ASSET VALUE PER ORDINARY SHARE AND DIVIDENDS PER ORDINARY SHARE

	Audited Year ended 30 June 2019 R'000	Restated* Audited Year ended 30 June 2018 R'000
Basic loss per ordinary share (in cents)		
From continuing operations	**(176.34)**	(89.93)
From discontinued operations	**(36.73)**	(53.03)
Total basic loss per ordinary share (in cents)	**(213.07)**	(142.96)
Diluted loss per ordinary share (in cents)		
From continuing operations	**(170.92)**	(88.41)
From discontinued operations	**(35.60)**	(52.14)
Total diluted loss per ordinary share (in cents)	**(206.52)**	(140.55)
Net asset value per ordinary share (in cents)		
Net asset value	**2,333,263**	2,901,794
Number of shares in issue (net of treasury shares, in thousands)	**262,833**	263,283
Net asset value per ordinary share (in cents)	**887.74**	1,102.16
Tangible net asset value per ordinary share (in cents)		
Tangible net asset value	**913,303**	645,951
Number of shares in issue (net of treasury shares, in thousands)	**262,833**	263,283
Tangible net asset value per ordinary share (in cents)	**347.48**	245.34
Dividends per ordinary share (in cents)		
Dividends paid	**–**	12,545
Number of shares in issue (in thousands)	**275,753**	272,307
Dividends per ordinary share (in cents)	**–**	4.61

* *Refer note 1.3.1.*

There was no impact on the basic and diluted loss per share due to the implementation of IFRS 9 and IFRS 15.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

12. LOSS PER ORDINARY SHARE, NET ASSET VALUE PER ORDINARY SHARE, TANGIBLE NET ASSET VALUE PER ORDINARY SHARE AND DIVIDENDS PER ORDINARY SHARE (continued)

12.1 Basic loss and weighted average number of shares

	Audited Year ended 30 June 2019 R'000	Restated* Audited Year ended 30 June 2018 R'000
Loss for the year attributable to equity holders of the parent from continuing operations	**(463,661)**	(238,357)
Loss for the year attributable to equity holders of the parent from discontinued operations	**(96,581)**	(140,574)
Loss for the year attributable to equity holders of the parent	**(560,242)**	(378,931)
Weighted average number of shares in issue (net of treasury shares, in thousands)^^	**262,942**	265,062

* *Refer note 1.3.1.*

^^ *Shares issued during the current and prior financial years (either as a fresh issue or out of treasury shares held) under the long term Management Incentive Scheme are contingently returnable shares and are excluded from the loss per share calculation until such date as they are not subject to recall.*

12.2 Diluted loss and weighted average number of shares

	Audited Year ended 30 June 2019 R'000	Restated* Audited Year ended 30 June 2018 R'000
Loss for the year attributable to equity holders of the parent from continuing operations	**(463,661)**	(238,357)
Loss for the year attributable to equity holders of the parent from discontinued operations	**(96,581)**	(140,574)
Loss for the year attributable to equity holders of the parent	**(560,242)**	(378,931)
Diluted weighted average number of shares in issue (in thousands)	**271,274**	269,601
Reconciliation of weighted average number of shares in issue		
Weighted average number of shares in issue (net of treasury shares, in thousands)	**262,942**	265,062
Less number of shares expected to vest (in thousands)	**8,332**	4,539
Diluted weighted average number of shares in issue (in thousands)	**271,274**	269,601

* *Refer note 1.3.1.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

12. LOSS PER ORDINARY SHARE, NET ASSET VALUE PER ORDINARY SHARE, TANGIBLE NET ASSET VALUE PER ORDINARY SHARE AND DIVIDENDS PER ORDINARY SHARE (continued)

12.3 Basic and diluted headline loss per ordinary share

	Audited Year ended 30 June 2019 R'000	Restated* Audited Year ended 30 June 2018 R'000
Loss for the year attributable to equity holders of the parent	**(560,242)**	(378,931)
Profit on disposal of property, plant and equipment	**(2,296)**	(1,488)
Impairment of property, plant and equipment	**197**	–
Loss/(Profit) on disposal of intangible assets	**30**	(25,000)
Impairment of intangible assets	**9,493**	761
Gains arising on investment properties	**–**	(36)
Loss on disposal of subsidiaries/businesses	**16,400**	2,099
(Gain)/Loss on disposal of associates	**(1,150)**	44,776
(Reversal of impairment)/Impairment of associates	**(4,063)**	269,954
Gain on loss of control in Robor	**–**	(5,821)
Release of foreign currency translation reserve on CSI disposal group	**11,644**	–
Loss on remeasurement of fair value less costs to sell CSI disposal group	**10,704**	178,771
Loss on remeasurement of fair value less costs to sell African Investments disposal group	**154,760**	–
Loss on remeasurement of fair value less costs to sell Media disposal group	**59,269**	–
Non-controlling interests and tax effects of adjustments	**902**	(30,039)
Non-headline earnings items included in equity accounted earnings of associates, net of tax effects and non-controlling interests	**102,933**	(133,059)
– Gains on bargain purchase	**–**	(13)
– Losses on disposal groups classified as discounted operations	**516**	8,785
– Profit on disposal of property, plant and equipment	**(1,177)**	(44)
– Loss/(Gain) on disposal of equity accounted investments	**5,292**	(234,370)
– Adjustments in respect of equity accounted investments	**8,390**	92,583
– Impairments of investments, loans, assets and goodwill	**89,912**	–
Headline loss for the year	**(201,419)**	(78,013)
Basic headline loss per ordinary share (in cents) attributable to equity holders of the parent	**(76.60)**	(29.43)
Diluted headline loss per ordinary share (in cents) attributable to equity holders of the parent	**(74.25)**	(28.94)
Headline loss for the year		
From continuing operations	**(340,985)**	(65,287)
From discontinued operations	**139,566**	(12,726)
Total headline loss for the year	**(201,419)**	(78,013)
Basic headline (loss)/earnings per ordinary share (in cents)		
From continuing operations	**(129.68)**	(24.63)
From discontinued operations	**53.08**	(4.80)
Total basic headline loss per ordinary share (in cents)	**(76.60)**	(29.43)
Diluted headline (loss)/earnings per ordinary share (in cents)		
From continuing operations	**(125.70)**	(24.22)
From discontinued operations	**51.45**	(4.72)
Total diluted headline loss per ordinary share (in cents)	**(74.25)**	(28.94)

* *Refer note 1.3.1.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

13. PROPERTY, PLANT AND EQUIPMENT

13.1 Net carrying value

	Artwork R'000	Capital work in progress R'000	Computer equipment R'000	Furniture and fittings R'000	Land and buildings R'000	Leasehold Improve-ments R'000	Office equipment R'000	Photo-graphic equipment R'000	Plant and machinery R'000	Vehicles R'000	Total R'000
Net carrying value at 1 July 2017	832	147,955	15,302	18,588	17,678	44,608	10,749	3,898	687,679	18,527	965,816
Cost	832	147,955	31,528	22,338	18,894	49,763	13,827	5,140	774,305	22,952	1,087,534
Accumulated depreciation	–	–	(16,226)	(3,750)	(1,216)	(5,155)	(3,078)	(1,242)	(86,626)	(4,425)	(121,718)
Acquisitions of subsidiaries/ businesses (refer note 34)	–	–	67	–	–	577	239	–	4,038	723	5,644
Additions	–	64,242	13,322	2,696	–	14,329	3,098	1,049	27,746	4,357	130,839
Disposals	–	(541)	(911)	255	–	(285)	(139)	34	(6,720)	(203)	(8,510)
Transfers and reclassifications	–	(73,713)	13,277	240	–	307	106	(315)	75,100	(3,739)	11,263
Depreciation	–	–	(18,096)	(3,897)	(878)	(7,410)	(3,138)	(1,238)	(91,443)	(5,637)	(131,737)
On translation of assets held by foreign operations	–	6	46	–	–	–	(60)	–	(1,524)	159	(1,373)
CSI disposal group (refer note 9)	–	(2,843)	(4,620)	–	–	–	(4,277)	–	(108,784)	(9,634)	(130,158)
Loss of control in Robor (refer note 35)	–	(133,347)	(2,723)	(2,674)	(9,047)	–	–	–	(317,838)	(8)	(465,637)
Net carrying value at 1 July 2018	832	1,759	15,664	15,208	7,753	52,126	6,578	3,428	268,254	4,545	376,147

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

13. PROPERTY, PLANT AND EQUIPMENT (continued)

13.1 Net carrying value (continued)

	Artwork R'000	Capital work in progress R'000	Computer equipment R'000	Furniture and fittings R'000	Land and buildings R'000	Leasehold Improve-ments R'000	Office equipment R'000	Photo-graphic equipment R'000	Plant and machinery R'000	Vehicles R'000	Total R'000
Net carrying value at 1 July 2018	832	1,759	15,664	15,208	7,753	52,126	6,578	3,428	268,254	4,545	376,147
Cost	832	1,759	26,958	22,553	8,920	62,843	9,635	7,890	358,891	6,646	506,927
Accumulated depreciation	–	–	(11,294)	(7,345)	(1,167)	(10,717)	(3,057)	(4,462)	(90,637)	(2,101)	(130,780)
Additions	–	3,216	16,373	2,876	–	8,975	9,593	916	51,150	2,476	95,575
Disposals	–	–	(429)	(365)	(6,949)	(374)	(309)	(105)	(29,230)	(192)	(37,953)
Acquisitions of subsidiaries/ businesses (refer note 34)	–	–	2,146	104	–	–	–	–	68,456	516	71,222
Disposals of subsidiaries/ businesses (refer note 35)	–	–	(296)	(130)	–	–	(21)	–	–	–	(447)
Transfers and reclassifications	–	(2,235)	260	(1,296)	–	1,273	256	(25)	1,768	3	4
Depreciation	–	–	(11,899)	(3,606)	(570)	(7,209)	(3,051)	(1,240)	(64,046)	(1,994)	(93,615)
Impairment	–	–	–	–	–	–	(17)	–	(180)	–	(197)
On translation of assets held by foreign operations	–	–	271	483	–	(477)	1	–	–	–	278
Media and Broadcast and Content disposal groups (refer note 9)	–	–	(5,564)	(8,644)	(234)	(40,111)	(4,166)	(2,974)	(7,578)	(1,456)	(70,727)
Net carrying value at 30 June 2019	832	2,740	16,526	4,630	–	14,203	8,864	–	288,594	3,898	340,287
Cost	832	2,740	75,010	15,996	–	23,899	18,027	–	809,147	17,411	963,062
Accumulated depreciation	–	–	(58,484)	(11,366)	–	(9,696)	(9,163)	–	(520,553)	(13,513)	(622,775)

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

13. PROPERTY, PLANT AND EQUIPMENT (continued)

13.2 Pledged as security

The following were pledged as security from continuing operations.

Printing presses with a net carrying value of R113.3 million (2018: R99.5 million) are pledged as security in terms of a finance lease with a carrying value of R71.7 million (2018: R96.8 million).

Plant and equipment with a net carrying value of R101.8 million (2018: R75.2 million) has been pledged as security in terms of general notarial bonds in favour of a Security SPV, which is controlled by the bank, with a carrying value of R86.5 million (2018: R71.5 million).

Motor vehicles with a net carrying value of R373,000 (2018: R586,000) are pledged as security in terms of its instalment sales agreements with a carrying value of R1.8 million (2018: R1.2 million), refer to note 28.

In the prior year, office equipment with a carrying value of R631,000 was pledged as security in terms of a finance lease with a carrying value of R722,000.

13.3 Impairment loss recognised

Following the move to the new Hirt & Carter Group premises, some smaller assets were impaired and scrapped, resulting in an impairment loss of R197,000.

14. GOODWILL

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Cost	**661,098**	1,080,696
Accumulated impairments	**–**	–
	661,098	1,080,696

14.1 Cost

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
At the beginning of the year	**1,080,696**	1,224,936
Acquisitions of subsidiaries/businesses (refer note 34)	**78,969**	36,653
Disposals of subsidiaries/businesses (refer note 35)	**(33,992)**	–
CSI disposal group (refer note 9)	**–**	(109,439)
Loss of control in Robor (refer note 35)	**–**	(71,454)
Media and Broadcast and Content disposal groups (refer note 9)	**(464,575)**	–
At the end of the year	**661,098**	1,080,696

The Group assesses goodwill annually for impairment or more frequently if there are indicators that the goodwill may be impaired. Based on the assessment performed at 30 June 2019, there were no impairments recognised on goodwill noted above, except for the impairment raised on remeasurement to fair value less costs to sell in terms of IFRS 5 for goodwill relating to Media, and Broadcast and Content disposal groups.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

14. GOODWILL (continued)

14.2 Allocation of goodwill to cash generating units ("CGUs")

All of the goodwill held at 30 June 2019 is attributable to the Hirt & Carter Group CGU.

14.3 Impairment testing

An impairment loss of R59.3 million has been raised on the Media CGU in terms of the loss on remeasurement to fair value less costs to sell for the Media disposal group. The value expected to be realised on disposal of the Media disposal group is R800.0 million (refer note 9.1).

The Group allocated goodwill to various CGUs in the prior year. At 30 June 2019, the Media and Broadcast and Content businesses were classified and presented as non-current assets held for sale (refer note note 9). The remaining CGU's, being Hirt & Carter Group, recoverable amount was determined based on value in use calculations. Value in use is based on discounted cash flow calculations. The Group based its cash flow calculations on five year budgeted and forecasted information approved by senior management and/or the various boards of directors of the respective companies. The growth rate of the CGU, was used to extrapolate cash flows into the future. The discount rate used reflects specific risks relating to the relevant CGU and the countries in which it operates, whilst maximising the use of market observable data. Other assumptions included in cash flow projections vary and are closely linked to entity-specific key performance indicators. The discount rate and growth rate applied to the CGU were as follows:

Cash generating units	Basis of determination of recoverable amount	Discount rate applied to cash flows (%)	Terminal growth rate used to extrapolate cash flows (%)
Hirt & Carter Group	**Value in use**	**17.5**	**5.0**

Pre-tax discount rates have been applied as the value in use was determined using pre-tax cash flows.

In assessing how external factors could impair goodwill, management have considered how a reduction in the forecasted revenue and gross profit growth in the discounted cash flows would cause an impairment in goodwill to arise. Management have also considered the respective terminal growth rate and discount rate that would cause the goodwill to be impaired. The following changes would result in goodwill being impaired in the CGU:

Cash generating units	Reduction in forecasted revenue (%)	Reduction in forecasted gross profit (%)
Hirt & Carter Group	**9.1**	**24.7**

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

15. INTANGIBLE ASSETS

15.1 Net carrying value

	Mastheads R'000	Advertiser relation-ships R'000	Subscriber relation-ships R'000	Customer relation-ships R'000	Brands R'000	Film rights R'000	RMS software R'000	Computer software R'000	Publishing rights and titles R'000	Total R'000
Net carrying value at 1 July 2017	137,491	139,746	48,138	463,436	401,488	925	7,623	33,093	57,993	1,289,933
Cost	137,491	164,609	58,042	489,231	401,898	925	9,529	35,593	58,455	1,355,773
Accumulated amortisation		(24,863)	(9,904)	(25,795)	(410)		(1,906)	(2,500)	(462)	(65,840)
Additions	–	–	–	–	–	–	–	40,902	–	40,902
Disposals	–	–	–	–	–	–	–	(3)	–	(3)
Acquisitions of subsidiaries/businesses (refer note 34)	–	–	–	–	–	–	–	4	–	4
Reclassifications and transfers	–	–	–	–	–	–	–	(11,263)	–	(11,263)
Impairment	–	–	–	–	–	–	–	(761)	–	(761)
Amortisation	–	(24,863)	(9,904)	(25,795)	(410)	–	(1,906)	(230)	–	(63,108)
CSI disposal group (refer note 9)	–	–	–	(39,424)	(41,006)	–	–	–	–	(80,430)
Loss of control in Robor (refer note 35)	–	–	–	–	–	–	–	(2,916)	2,789	(127)
Net carrying value at 30 June 2018	137,491	114,883	38,234	398,217	360,072	925	5,717	58,826	60,782	1,175,147

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

15. INTANGIBLE ASSETS (continued)

15.1 Net carrying value (continued)

	Mastheads R'000	Advertiser relation-ships R'000	Subscriber relation-ships R'000	Customer relation-ships R'000	Brands R'000	Film rights R'000	RMS software R'000	Computer software R'000	Publishing rights and titles R'000	Total R'000
Net carrying value at 30 June 2018	137,491	114,883	38,234	398,217	360,072	925	5,717	58,826	60,782	1,175,147
Cost	137,491	164,609	58,042	443,297	360,072	925	9,529	96,744	60,782	1,331,491
Accumulated amortisation	–	(49,726)	(19,808)	(45,080)	–	–	(3,812)	(37,918)	–	(156,344)
Additions	–	–	–	–	–	–	–	24,489	8,477	32,966
Disposal	–	–	–	–	–	–	–	(630)	–	(630)
Acquisitions of subsidiaries/businesses (refer note 34)	–	–	–	13,628	18,892	–	–	–	–	32,520
Disposals of subsidiaries/businesses (refer note 35)	–	–	–	–	–	–	–	–	(608)	(608)
Reclassifications and transfers	–	–	–	(39,315)	–	–	–	(7,823)	44,427	(2,711)
Transfer to property, plant and equipment	–	–	–	–	–	–	–	(4)	–	(4)
Impairment	–	–	–	–	–	–	–	–	(9,493)	(9,493)
Amortisation	–	(24,863)	(9,905)	(22,444)	(282)	–	(1,905)	(26,391)	–	(85,790)
Media and Broadcast and Content disposal groups (refer note 9)	(137,491)	(90,020)	(28,329)	–	(34,376)	–	–	(6,911)	(85,408)	(382,535)
Net carrying value at 30 June 2019	–	–	–	350,086	344,306	925	3,812	41,556	18,177	758,862
Cost	–	–	–	444,616	344,588	925	9,529	55,906	65,286	920,850
Accumulated amortisation	–	–	–	(94,530)	(282)	–	(5,717)	(14,350)	(47,109)	(161,988)

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

15. INTANGIBLE ASSETS (continued)

15.2 Pledged as security

There were no intangible assets pledged as security during the current or prior years.

15.3 Impairment losses recognised

Intangible assets with indefinite useful lives are tested annually for impairment and carried at cost less accumulated impairment losses.

Intangible assets with indefinite useful lives are allocated to CGUs for purposes of impairment testing. An impairment test is performed by determining the recoverable amount of the CGU to which the intangible assets with indefinite useful lives relates. Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in net (loss)/profit in the consolidated statements of profit and loss and other comprehensive income. Impairment losses recognised on goodwill are not reversed in subsequent periods.

The recoverable amounts of these CGUs have been determined based on value in use calculations. Value in use is based on discounted cash flow calculations. The Group based its cash flow calculations on five year budgeted and forecasted information approved by senior management and/or the various boards of directors of the respective companies. The growth rates of the CGUs, were used to extrapolate cash flows into the future. The discount rates used reflect specific risks relating to the relevant CGUs and the countries in which they operate, whilst maximising the use of market observable data. Other assumptions included in cash flow projections vary widely between CGUs due to the Group's diverse range of business models, and are closely linked to entity-specific key performance indicators.

During the current year, an impairment loss of R9.5 million was recognised on the catalogue of indigenous films. During the prior year, an impairment loss of R761,000 was recognised on intangible assets, relating to computer licences in Hirt & Carter Group.

15.4 Allocation of intangible assets to CGU's

Intangible assets have been allocated to the following CGUs:

- Media
- Hirt & Carter Group
- Broadcast and Content

The aggregate carrying amounts of intangible assets as at year end allocated to each CGU, are as follows:

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Media	**17,115**	329,341
Hirt & Carter Group	**722,998**	728,850
Broadcast and Content	**18,749**	116,956
	758,862	1,175,147

The aggregate carrying amounts of intangible assets with indefinite useful lives as at year end allocated to each CGU, are as follows:

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Media	–	165,610
Hirt & Carter Group	**325,696**	325,696
Broadcast and Content	–	71,359
	325,696	562,665

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

15. INTANGIBLE ASSETS (continued)

15.5 Remaining useful lives

The average remaining useful lives of the intangible assets at 30 June 2019 are as follows:

Customer relationships	8 years
Brands	Indefinite/20 years
Film rights	15 years
RMS software	3 years
Computer software	3 years
Publishing rights and titles	10 years

16. INVESTMENT IN SUBSIDIARIES

The Group held shares in the following significant operating subsidiaries:

Principal place of business	Principal activity	Name of subsidiary[5]	Proportion of ownership interest 30 June 2019 %	Proportion of ownership interest 30 June 2018 %
United Kingdom	Investment company	Tiso Blackstar Holdings SE ("Tiso Blackstar Holdings")[1]	**100.0%**	100.0%
United Kingdom	Administrative centre	Tiso Blackstar Limited ("TBL")[1, 6]	**100.0%**	100.0%
United Kingdom	Investment company	Africa Investments Holding Limited ("AIH")[2, 4, 6]	**100.0%**	0.0%
South Africa	Investment advisory company	Tiso Blackstar SA Proprietary Limited ("Tiso Blackstar SA")[1]	**100.0%**	100.0%
South Africa	Media	Blackstar Holdings Group Proprietary Limited ("BHG")[2]	**100.0%**	100.0%
South Africa	Industrial steel company	Consolidated Steel Industries Proprietary Limited ("CSI")[2]	**0.0%**	100.0%
South Africa	Investment property company	Tiso Blackstar Real Estate Proprietary Limited ("TBRE")[2]	**100.0%**	100.0%
South Africa	Investment property company	Firefly Investments 223 Proprietary Limited ("Firefly")[3]	**70.0%**	70.0%

1 *Subsidiary of the Company.*
2 *Subsidiary of Tiso Blackstar Holdings.*
3 *Subsidiary of TBRE.*
4 *AIH was created as a new company on 20 May 2019.*
5 *Refer to note 47 for a complete list of subsidiaries of the Group.*
6 *TBL (company registration number 09190604) and AIH (company registration number 12007089) qualify under s479A of the Companies Act 2006 for exemption from audit.*

Significant changes in investment in subsidiaries

CSI – the Group disposed of its entire shareholding and claims in its wholly-owned subsidiary CSI effective 30 November 2018, for a purchase consideration of R50.0 million. R20.0 million was received in cash and the remaining balance accrues interest repayable monthly. The capital balance is expected to be paid in the second quarter of the 2020 financial year (refer note 35).

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

17. INVESTMENT IN ASSOCIATES

The Group held the following shares in associates:

Principal activity	Principal place of business/Registered Address	Class of shares	Name of associate	Proportion of ownership interest 30 June 2019 %	Proportion of ownership interest 30 June 2018 %	Carrying value 30 June 2019 R'000	Carrying value Restated* 30 June 2018 R'000
Investment in associates – equity accounted							
Media	Delta Riverside, L.R. 4275/121, Riverside Drive, Nairobi, Kenya	Ordinary	Radio Africa Limited ("Radio Africa Kenya")[1, 3]	**49.0%**	49.0%	–	193,900
Media	355 Faanofa Street, Kokomlemle, Accra, Ghana	Ordinary	Multimedia Group Limited ("Multimedia Ghana")[1, 3, 4]	**32.2%**	32.2%	–	153,299
Media	26 Keffi Street, South West Ikoyi, Lagos, Nigeria	Ordinary	Cooper Communications Limited ("Coopers Nigeria")[1, 3]	**Effective 36.5%**	Effective 36.5%	–	7,673
Industrial steel company	233 Barbara Road, Elandsfontein, Gauteng, South Africa	Ordinary	Robor Proprietary Limited ("Robor")[1]	**47.6%**	47.6%	–	137,595
Investment holding	100 West Street, Wierda Valley, Gauteng, South Africa	Ordinary	Kagiso Tiso Holdings Proprietary Limited ("KTH")[1]	**20.0%**	20.0%	**1,054,640**	1,089,320
Media	122 St Georges Mall, Cape Town, Western Cape, South Africa	Ordinary	Allied Media Distributors Proprietary Limited[2]	**0.0%**	30.0%	–	1,363
Media	32 Wepener Street, Booysens, Gauteng, South Africa	Ordinary	Allied Publishing Proprietary Limited[2]	**0.0%**	50.0%	–	–
Media	47 Sauer Street, Johannesburg, Gauteng, South Africa	Ordinary	Banner News Agency Proprietary Limited[2]	**0.0%**	28.6%	–	1,371
Media	77 Bram Fischer Drive, Robindale, Gauteng, South Africa	Ordinary	Breakout Management Proprietary Limited[2, 3]	**40.0%**	40.0%	–	–
Media	52 Corlett Drive, Illovo, Gauteng, South Africa	Ordinary	Next Entertainment Proprietary Limited[2, 3]	**40.0%**	40.0%	–	2,710
Media	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Ordinary	Tha Tha Isithombe Proprietary Limited[2, 3]	**38.0%**	38.0%	–	–
						1,054,640	1,587,231

Notes to the consolidated financial statements continued

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17. INVESTMENT IN ASSOCIATES (continued)

The Group held the following shares in associates:

Principal activity	Principal place of business/Registered Address	Class of shares	Name of associate	Proportion of ownership interest 30 June 2019 %	Proportion of ownership interest 30 June 2018 %	Carrying value 30 June 2019 R'000	Carrying value Restated* 30 June 2018 R'000
Non-current assets held for sale							
Media	Delta Riverside, L.R. 4275/121, Riverside Drive, Nairobi, Kenya	Ordinary	Radio Africa Limited ("Radio Africa Kenya")[1, 3]	**49.0%**	49.0%	**90,000**	–
Media	355 Faanofa Street, Kokomlemle, Accra, Ghana	Ordinary	Multimedia Group Limited ("Multimedia Ghana")[1, 3, 4]	**32.2%**	32.2%	**103,000**	–
Media	26 Keffi Street, South West Ikoyi, Lagos, Nigeria	Ordinary	Cooper Communications Limited ("Coopers Nigeria")[1, 3]	**Effective 36.5%**	Effective 36.5%	**7,000**	–
Media	Delta Riverside, L.R. 4275/121, Riverside Drive, Nairobi, Kenya	Ordinary	Flaxa Media Limited ("Flaxa")[2, 3]	**49.0%**	0.0%	**–**	–
Media	77 Bram Fischer Drive, Robindale, Gauteng, South Africa	Ordinary	Breakout Management Proprietary Limited[2, 3]	**40.0%**	40.0%	**–**	–
Media	52 Corlett Drive, Illovo, Gauteng, South Africa	Ordinary	Next Entertainment Proprietary Limited[2, 3]	**40.0%**	40.0%	**2,206**	–
Media	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Ordinary	Tha Tha Isithombe Proprietary Limited[2, 3]	**38.0%**	38.0%	**–**	–
						202,206	–
Total investment in associates						**1,256,846**	1,587,231

* *Refer to note 1.3.1.*

1 *Associate of Tiso Blackstar Holdings.*

2 *Associate of BHG.*

3 *The Group's interests in these associates are classified and disclosed as non-current assets held for sale at 30 June 2019 (refer note 9).*

4 *The financial year end of this company is 31 December. This was the reporting date established when the company was incorporated. For the purposes of applying the equity method of accounting, the company prepared financial information for a twelve month period from 1 July 2018 to 30 June 2019.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

17. INVESTMENT IN ASSOCIATES (continued)

Change in the Group's ownership interest in an associate

During the current year, the Group disposed of its 30.0% interest in Allied Media Distributors, 50.0% interest in Allied Publishing and 28.6% interest in Banner News Agency, and acquired a 49.0% interest in Flaxa.

Restrictions

Tiso Blackstar receives income in the form of dividends and interest from its investments in associates, and there are no significant restrictions on the transfer of funds from these entities to Tiso Blackstar with the exception of the South African Reserve Bank regulations with respect to the transfer of funds off and onshore. An application is required to be made to the South African Reserve Bank through a financial institution, when transferring funds to or from a South African entity.

Bank collateral

The shares held in KTH are held as security for the term facility (refer note 26).

17.1 Summarised financial information of material associates of the Group

Summarised financial information in respect of each of the Group's material associates are set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRS (adjusted by the Group for equity accounting purposes). Summarised financial information is not required to be disclosed for investment in associates classified and presented as non-current assets held for sale.

30 June 2019	Robor R'000	KTH R'000	Total R'000
Non-current assets	**363,877**	**6,412,743**	**6,776,620**
Current assets	**815,137**	**1,891,012**	**2,706,149**
Non-current liabilities	**(92,340)**	**(1,919,701)**	**(2,012,041)**
Current liabilities	**(1,065,492)**	**(930,393)**	**(1,995,885)**
Revenue	**1,734,708**	**1,599,673**	**3,334,381**
Loss from continuing operations	**(334,378)**	**(46,596)**	**(380,974)**
Loss for the year	**(334,378)**	**(51,308)**	**(385,686)**
Total comprehensive loss for the year	**–**	**(58,122)**	**(58,122)**
Share of loss of associates	**(133,578)**	**(18,038)**	**(151,616)**
Reversal of impairment/(Impairment loss) on associates	**(4,017)**	**7,935**	**3,918**

30 June 2018	Robor R'000	KTH R'000	African Investments R'000	Total R'000
Non-current assets	612,171	7,507,991	168,664	8,288,826
Current assets	817,415	2,344,615	291,640	3,453,670
Non-current liabilities	(76,370)	(1,653,351)	(87,051)	(1,816,772)
Current liabilities	(998,370)	(2,293,637)	(216,304)	(3,508,311)
Revenue	797,700	1,619,728	528,499	2,945,927
(Loss)/Profit from continuing operations	(23,920)	980,639	32,948	989,667
(Loss)/Profit for the year	(23,920)	(67,310)	32,948	(58,282)
Total comprehensive (loss)/income for the year	(23,920)	889,732	32,948	898,760
Share of (loss)/profit of associate from continuing operations	(11,666)	169,071	–	157,405
Impairment loss of investment in associates from continuing operations	–	(265,603)	–	(265,603)
Share of profit of associate from discontinued operations	–	–	10,902	10,902

17.2 Reconciliation of investment in associates

	Audited Year ended 30 June 2019 R'000	Restated* Audited Year ended 30 June 2018 R'000
Investment in associates – equity accounted	**1,054,640**	1,587,231
Non-current assets held for sale	**202,206**	–
	1,256,846	1,587,231

* *Refer note 1.3.1.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

17. INVESTMENT IN ASSOCIATES (continued)

17.2 Reconciliation of investment in associates (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in associates recognised in the consolidated financial statements is as follows:

	Robor[1] R'000	KTH[2, 3] R'000	African Investments[4] R'000	Other[5] R'000	Total R'000
Balance as at 1 July 2017	–	1,434,148	334,670	11,491	1,780,309
Previously reported balance	–	1,500,000	334,670	11,491	1,846,161
Effects of amendments*	–	(65,852)	–	–	(65,852)
Additions	–	–	–	3,108	3,108
Proceeds on disposal	–	(197,940)	–	(3,967)	(201,907)
(Loss)/gain on disposal	–	(44,963)	–	187	(44,776)
Share of (loss)/profit of associates from continuing operations	(11,666)	169,071	–	2,165	159,570
Share of profit of associates from discontinued operations	–	–	10,902	1,921	12,823
Impairment of investment from continuing operations	–	(265,603)	–	–	(265,603)
Impairment of investment from discontinued operations	–	–	–	(4,351)	(4,351)
Dividends received	–	–	–	(5,109)	(5,109)
Movement in reserves	–	(5,393)	–	–	(5,393)
Currency translation differences on the translation of foreign associates	–	–	9,300	(1)	9,299
Loss of control of Robor (refer note 35)	149,261	–	–	–	149,261
Balance as at 30 June 2018	**137,595**	**1,089,320**	**354,872**	**5,444**	**1,587,231**
Previously reported balance	**137,595**	**1,263,537**	**354,872**	**5,444**	**1,761,448**
Effects of amendments*	**–**	**(174,217)**	**–**	**–**	**(174,217)**
Additions	**–**	**–**	**–**	**7**	**7**
Proceeds on disposal	**–**	**–**	**–**	**(2,580)**	**(2,580)**
Loss on disposal	**–**	**–**	**–**	**1,150**	**1,150**
Share of (loss)/profit of associates from continuing operations	**(133,578)**	**(18,038)**	**–**	**927**	**(150,689)**
Share of profit/(loss) of associates from discontinued operations	**–**	**–**	**13,891**	**(4)**	**13,887**
(Impairment)/Reversal of impairment of investment from continuing operations	**(4,017)**	**7,935**	**–**	**(1)**	**3,917**
Reversal of impairment of investment from discontinued operations	**–**	**–**	**–**	**146**	**146**
Dividends received	**–**	**–**	**–**	**(2,231)**	**(2,231)**
Movement in reserves	**–**	**(24,577)**	**–**	**–**	**(24,577)**
Movement in equity loans	**–**	**–**	**–**	**(652)**	**(652)**
Currency translation differences on the translation of foreign associates	**–**	**–**	**(14,003)**	**–**	**(14,003)**
Loss on remeasurement to fair value less costs to sell	**–**	**–**	**(154,760)**	**–**	**(154,760)**
Balance as at 30 June 2019	**–**	**1,054,640**	**200,000**	**2,206**	**1,256,846**

* *Refer note 1.3.1.*

1 *On disposal of a 3.4% interest in Robor, Robor became an associate of the Group. Per note 9.2, and the interest in Robor is no longer accounted for as a non-current asset held for sale (held at fair value less costs to sell) but is rather accounted for as an investment in associate being equity accounted and tested for impairment annually. Per IAS 28, when an investment in associate previously classified as held for sale no longer meets the criteria to be so classified, it shall be accounted for using the equity method retrospectively as from its date of classification as held for sale.*

2 *During the prior year, the Group disposed of a 3.61% interest in KTH for R197.9 million reducing its interest in KTH from 22.9% to 20.01%. The loss on disposal of R45.0 million is included in net (loss)/profit. As per note 9.2, the interest in KTH is no longer accounted for as a non-current asset held for sale (held at fair value less costs to sell) but is rather accounted for as an investment in associate being equity accounted and tested for impairment annually with reference to the KTH portfolio valuation. Per IAS 28, when an investment in associate previously classified as held for sale no longer meets the criteria to be so classified, it shall be accounted for using the equity method retrospectively as from its date of classification as held for sale.*

3 *The investment in KTH was impaired to the lower of its carrying value and recoverable amount which was determined with reference to the KTH portfolio valuation.*

4 *Includes the Group's African interests outside South Africa: a 32.2% interest in Multimedia Ghana, a 49.0% interest in Radio Africa Kenya, and an effective 36.5% interest in Coopers Nigeria. All of these businesses are equity accounted for as associates and did not contribute significantly to earnings or cash flows in the current reporting period. At 30 June 2019, the African Investments were classified and presented as non-current assets held for sale and discontinued operations (refer note 9.1).*

5 *Other includes Allied Media Distributors, Allied Publishing, Banner News Agency and Next Entertainment.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

18. OTHER INVESTMENTS, LOANS AND RECEIVABLES

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Financial assets held for trading:		
Other investments		
Ordinary shares in Business Partners Proprietary Limited	–	1,112
Investments classified as loans and receivables carried at amortised cost:		
Loans to related parties	**25,600**	17,061
Loans	**96,485**	16,485
Interest accrued	**2,419**	576
Provision for impairment	**(73,304)**	–
	25,600	18,173

18.1 Loans to related parties

During the current year, an amount of R50.0 million was transferred to CSI as a short term, interest bearing equity loan repayable on transfer of ownership of CSI. From January 2019, the loan accrues interest at 1% per annum for January and February 2019, and 2% per annum from March 2019 until date of settlement. Post year end, an agreement has been reached with CSI, which is still subject to achievement of certain conditions precedent, to settle the outstanding liability owing to Tiso Blackstar with a payment of R25.0 million (interest will continue to accrue and be settled monthly on the original outstanding amount until payment is made). As a result, the loan was impaired by R5.0 million at 30 June 2019. R20.0 million was received in cash and the balance accrues interest repayable monthly. The balance amounting to R25.6 million at year end is expected to be paid in the second quarter of the financial year ended 30 June 2020. The Company was released from its guarantees provided to a bank in respect of financing facilities provided to CSI on transfer of these funds.

In March 2019, at the request of Robor's bankers, the Group provided an equity loan of R50.0 million to Robor thereby reducing the guarantees provided to the banks for facilities provided to Robor by the same amount to R110.0 million. This loan was fully impaired at 30 June 2019, as it was not deemed to be recoverable due to Robor being placed into liquidation (refer note 45).

In the prior year, Tiso Blackstar Holdings disposed of a 3.4% interest in Robor for an amount of R16.5 million (refer note 35) in lieu of the assignment of a loan receivable from Tricom Properties Proprietary Limited ("Tricom"), a company owned by a shareholder of Robor. The loan was unsecured, bore interest at the First National Bank money market rate and was repayable at the earlier of: 30 June 2020; the date on which Tricom had available cash resources to settle the loan; or the date on which Robor entered into business rescue or liquidation should this event occur. On disposal of a 3.4% interest in Robor, Robor became an associate of the Group (refer note 17). The loan, amounting to R18.3 million at 30 June 2019, was fully impaired, as it was not deemed to be recoverable due to Robor being placed into liquidation (refer note 45).

18.2 Other investments

The shares in Business Partners Proprietary Limited were disposed of during the current reporting year.

19. STRAIGHT LINING OF LEASE ASSET/(LIABILITY)

Straight lining of lease asset/(liability) arise on operating leases as a result of lease payments being recognised on a straight line basis over the lease term.

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Straight lining of lease asset		
Non-current portion	–	15
Current portion	–	2,462
	–	2,477
Straight lining of lease liability		
Non-current portion	**(22,069)**	(24,914)
Current portion	**(616)**	(2)
	(22,685)	(24,916)

Notes to the consolidated financial statements continued

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20. DEFERRED TAXATION

20.1 Movement in net deferred taxation

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Net deferred tax liability at the beginning of the year	**(262,669)**	(279,684)
Recognised in the consolidated statements of profit and loss and other comprehensive income for continuing operations	**18,196**	23,829
Recognised in the consolidated statements of profit and loss and other comprehensive income for discontinued operations	**22,348**	(17,078)
Acquisitions of subsidiaries/businesses (refer note 34)	**(22,163)**	(682)
Disposals of subsidiaries/businesses (refer note 35)	**(526)**	(913)
CSI disposal group (refer note 9)	**–**	(10,885)
Tax benefit on recharge amount exceeding FSP share based payment expense	**3,694**	–
Other	**96**	(98)
Loss of control in Robor (refer note 35)	**–**	22,842
Media and Broadcast and Content disposal groups (refer note 9)	**43,433**	–
Net deferred tax liability at the end of the year	**(197,591)**	(262,669)

20.2 Deferred tax assets and liabilities

Deferred tax assets/(liabilities) are attributable to temporary differences arising from the following:

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Property, plant and equipment	**(43,580)**	(29,021)
Intangible assets	**(207,332)**	(300,041)
Investments	**26,920**	23,961
Trade and other receivables	**(3,606)**	538
Finance leases	**–**	12,640
Other financial liabilities	**6,352**	6,283
Provisions	**–**	3,324
Trade and other payables	**15,380**	13,854
Assessed losses	**8,275**	5,793
Net deferred tax liability at the end of the year	**(197,591)**	(262,669)

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Deferred tax asset	**66,963**	53,719
Deferred tax liability	**(264,554)**	(316,388)
Net deferred tax liability at the end of the year	**(197,591)**	(262,669)

20.3 Assessable losses

Assessable tax losses of the Group for which no deferred tax asset has been recognised amounts to R126.2 million (2018: R580.8 million) from continuing and discontinued operations. The related deferred tax asset on the assessable losses have not been raised, as it is not believed to be probable that it will be utilised. Should a Group company cease trading, the assessable tax losses would not be able to be utilised.

In instances where management believe that there is future taxable income against which the assessable tax losses can be utilised, a deferred tax asset has been raised. This includes management's assessment based on actual forecasts prepared for the underlying entities and past experience.

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21. INVENTORIES

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Finished goods on hand	**55,068**	142,330
Work in progress	**41,352**	25,881
Raw materials and components	**85,880**	83,574
	182,300	251,785
Provision for impairment	**(7,064)**	(10,055)
	175,236	241,730

21.1 Allowance for impairments

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
At the beginning of the year	**(10,055)**	(66,259)
Provision raised during the year	**(156)**	(6,344)
Provision reversed during the year	**–**	15,366
Written off during the year	**2,416**	–
CSI disposal group	**–**	16,426
Loss of control in Robor	**–**	30,756
Media and Broadcast and Content disposal groups	**731**	–
At the end of the year	**(7,064)**	(10,055)

The cost of inventories recognised as an expense during the year in respect of continuing operations was R1,515.7 million (2018: R2,123.3 million).

The cost of inventories recognised as an expense in respect of write-downs of inventory to net realisable value includes R21.4 million (2018: R12.1 million) from continuing operations.

None of the inventories were pledged as security during either the current or prior year.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

22. TRADE AND OTHER RECEIVABLES

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Trade receivables	**491,587**	666,625
Less: Allowance for credit notes	**(1,520)**	(1,488)
Less: Allowance for expected credit losses (refer note 36.3)	**(8,037)**	(14,834)
	482,030	650,303
Fee income receivable	**10,036**	76,210
Dividend and interest receivable	**4,259**	5,325
Prepayments and supplier deposits	**23,810**	38,277
Accrued income	**2,862**	61,496
VAT receivable	**1,077**	2,089
Staff loans and advances	**67**	114
Other receivables	**11,307**	13,546
	535,448	847,360

No trade and other receivables were pledged as security during the current and prior year.

The directors consider the carrying value of trade and other receivables to approximate its fair value.

Due to the diverse nature of the Group, credit terms range from current to 120 days depending on the specific entity. No interest is charged on trade receivables. Before accepting any new customers, the Group uses a credit bureau or performs a credit assessment to assess the potential customer's credit limit and credit quality. The Group only transacts with creditworthy customers.

22.1 Movement in allowances

Receivables are reviewed for impairment using a provision matrix to measure the expected credit losses ("ECLs"). Factors considered include the nature and credit quality of counter parties as well as disputes regarding price, delivery, quality and authorisation of work performed.

Refer note 36.3 for credit risk management and calculation of the expected credit losses ("ECL").

The Group's management considers that all of the above financial assets that are not impaired or past due for each of the reporting dates under review are of good quality based on past history and reports from credit rating agencies.

22.1.1 Allowance for credit notes

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
At the beginning of the year	**(1,488)**	(12,275)
Provision raised during the year	**–**	(1,907)
Provision released during the year	**196**	4,382
Acquisition of subsidiaries/businesses	**(320)**	–
CSI disposal group	**–**	5,564
Loss of control in Robor	**–**	2,748
Media and Broadcast and Content disposal groups	**92**	–
At the end of the year	**(1,520)**	(1,488)

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22. TRADE AND OTHER RECEIVABLES (continued)

22.1 Movement in allowances (continued)

22.1.2 Allowance for expected credit losses

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
At the beginning of the year	(14,834)	(34,280)
Provision raised during the year	(10,807)	(11,609)
Provision released during the year	9,126	4,617
Amounts written off during the year as uncollectible	1,071	–
Lifetime ECL recognised	(318)	–
Acquisition of subsidiaries/businesses	(1,193)	–
Disposal of subsidiaries/businesses	333	–
CSI disposal group	–	12,544
Loss of control in Robor	–	13,894
Media and Broadcast and Content disposal groups	8,585	–
At the end of the year	**(8,037)**	(14,834)

23. NET CASH AND CASH EQUIVALENTS

Net cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity of twelve months or less. The carrying value of these approximates their fair value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts and other short term borrowing facilities.

Net cash and cash equivalents consist of:

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Cash and cash equivalents	**135,330**	394,496
Cash on hand	445	442
Deposits and cash at bank	134,885	394,054
Bank overdrafts and other short term borrowing facilities		
Bank overdrafts	(272,802)	(285,562)
Net cash and cash equivalents	**(137,472)**	108,934
Cash and bank overdrafts included in the CSI disposal group	–	(358,668)
Net cash and cash equivalents per the consolidated statement of cash flows	**(137,472)**	(249,734)

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

23. NET CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents held by South African continuing operations of R128.6 million (2018: R315.5 million) are ring-fenced and are not available to other entities within the Group. Transfers of cash are subject to South African exchange control regulations. Cash and cash equivalents held at the centre (comprising Tiso Blackstar and Tiso Blackstar Holdings) amounted to R6.7 million (2018: R79.0 million) at year end.

Net cash and cash equivalents includes cash and bank overdrafts held by the disposal groups which have been sold to Lebashe. As per note 9, the Media, and Broadcast and Content disposal groups are sold excluding any cash, bank overdrafts and debt which remains, and was required to be settled by Tiso Blackstar directly. In accordance with the sale agreements for the disposal of the Media, Broadcast and Content, and African Investments disposal groups, the proceeds from disposal will be utilised to settle in full the overdraft facilities held by the Group, which amounts to R272.8 million at 30 June 2019. The overdraft facilities were settled on 5 November 2019 on receipt of the proceeds from the TBG SA Group sale.

BHG's cash and cash equivalents have been ceded as security for the term facility at 30 June 2019 and 30 June 2018 (refer note 26).

23.1 Facilities

23.1.1 Working capital facilities held by the rest of the Group

The Group, excluding CSI and Robor, had no working capital facilities in both the current and prior financial years that are secured by inventory and trade receivables. However, the Group has a general banking facility ("GBF") and bank overdraft facilities (refer note 36.4.2), both of which were settled post year end utilising TBG SA Group sales proceeds.

23.1.2 Working capital facilities held by CSI

Working capital facilities available to CSI for utilisation consisted of:

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Invoice discounting facility	–	480,000

CSI was disposed of effective 30 November 2018.

There were no securities provided during the both the current and prior financial years.

24. SHARE CAPITAL AND RESERVES

24.1 Share capital and premium

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Share capital – Authorised		
400,000,000 ordinary shares of €0.76 each (converted to R10.71)	**4,282,418**	4,282,418
Share capital – Issued and fully paid		
268,291,260 ordinary shares of €0.76 each (converted to R9.52)	**2,554,036**	2,554,036
Share premium	**701,212**	701,212
	3,255,248	3,255,248

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

24. SHARE CAPITAL AND RESERVES (continued)

24.1 Share capital and premium (continued)

A reconciliation of the movement in ordinary shares of €0.76 each is provided below:

	Number of shares		
	Issued and fully paid	Treasury shares	Outstanding shares
Balance as at 1 July 2017	268,291,260	(3,012,349)	265,278,911
Repurchase of own shares	–	(1,995,542)	(1,995,542)
Balance as at 30 June 2018	**268,291,260**	**(5,007,891)**	**263,283,369**
Repurchase of own shares	**–**	**(450,599)**	**(450,599)**
Balance as at 30 June 2019	**268,291,260**	**(5,458,490)**	**262,832,770**
Forfeitable shares awarded as part of the long term Management Incentive Scheme	**7,461,832**	**(7,461,832)**	**–**
	275,753,092	**(12,920,322)**	**262,832,770**

Share capital

The Group awarded 6,110,809 (2018: 4,015,973) forfeitable shares, subject to achievement of performance conditions, under the long term Management Incentive Scheme for the year ended 30 June 2019 (refer note 43). The first tranche of 3,012,349 shares was issued in June 2017 out of treasury reserves, while the second tranche of 4,015,973 shares was a fresh share issue in November 2017, as there were no treasury shares available. Of the third tranche of 6,110,809 shares issued in October 2018, 2,664,950 shares were issued out of treasury reserves and 3,445,859 as a fresh share issue. During the current year, 716,985 (2018: 141,086) shares were forfeited under the long term Management Incentive Scheme. At 30 June 2019, Tiso Blackstar held 12,920,322 (2018: 9,023,864) treasury shares, of which 12,281,060 (2018: 6,887,236) shares (net of shares forfeited on resignation) have been awarded under the long term Management Incentive Scheme, and are not considered issued for IFRS purposes.

During the current year, the Company repurchased a total of 450,599 (2018: 1,995,542) Tiso Blackstar shares in the open market at an average price per share of R2.97 (2018: R4.90) and a total cost of R1.3 million (2018: R9.8 million).

Share premium

Share premium comprises the amount subscribed for share capital in excess of nominal value.

24.2 Reserves

The nature and purpose of each reserve within equity is described below:

Other reserves comprise of the following:
- Treasury shares comprises the cost of the Tiso Blackstar shares acquired and held as treasury shares by the Company;
- Capital redemption reserve which includes amounts transferred from share capital on redemption of issued shares;
- Share based payment reserve which includes amounts arising on the long term Management Incentive Scheme (refer note 43);
- Other reserves of the equity accounted associate KTH;
- Excess of cost of non-controlling interest over carrying value on acquisition which includes amounts arising on the step-up acquisition of subsidiaries; and
- Actuarial gains/(losses) on PRMA reserve which includes amounts arising on the valuation of the PRMA provision performed (refer note 29).

Foreign currency translation reserve

The foreign currency translation reserve comprises exchange differences arising on translation of assets and liabilities denominated in a foreign currency into the functional currency (Rands).

Accumulated losses

Accumulated losses comprise net gains and losses recognised in the consolidated statements of profit and loss and other comprehensive income.

Notes to the consolidated financial statements continued

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25. NON-CONTROLLING INTERESTS

25.1 Acquisitions and disposals of subsidiaries during the current and prior year resulting in a change to non-controlling interest

There were no acquisitions of subsidiaries during the current year which resulted in a change to non-controlling interest. During the prior year, the Group acquired a 51.0% controlling interest in BBS.

In August 2018, the Group disposed of its 50.0% plus one share option interest in STS (refer note 35). During the prior year, the Group disposed of a 3.4% interest in Robor reducing its interest in Robor from 51.0% to 47.6% and thereby resulting in a loss of control and step down from a subsidiary to an associate.

25.2 Financial information of Group's material non-controlling interests in consolidated subsidiaries

Summarised financial information in respect of each of the Group's material non-controlling interests in consolidated subsidiaries consists of the following:

As at 30 June 2019	BBS 49% interest R'000	STS[1] 50% interest R'000
Non-current assets	6,494	–
Current assets	95,247	–
Non-current liabilities	(2,606)	–
Current liabilities	(57,263)	–
Revenue	161,984	2,079
Profit/(Loss) before finance costs and taxation	33,826	(7,159)
Profit/(Loss) for the year	24,359	(7,003)

As at 30 June 2018	Robor[2] 49% Interest R'000	STS 50% Interest R'000
Non-current assets	–	1,609
Current assets	–	98,418
Current liabilities	–	(93,332)
Revenue	1,002,715	35,920
Profit before finance costs and taxation	13,951	4,152
(Loss)/Profit for the year	(8,953)	2,413

[1] *STS was disposed of in August 2018. The profit and loss information provided is for the period that STS was a subsidiary of the Group.*

[2] *On disposal of a 3.4% interest in Robor, Robor became an associate of the Group. The profit and loss information provided is for the period that Robor was a subsidiary of the Group.*

Notes to the consolidated financial statements continued

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25. NON-CONTROLLING INTERESTS (continued)

25.3 Reconciliation of Group's material non-controlling interests

Non-controlling interests consists of the following:

	NCI in Hirt & Carter Group R'000	Robor 49% Interest R'000	Other[3] R'000	Total R'000
Non-controlling interests as at 1 July 2017	9,934	164,171	16,657	190,762
Acquisition of subsidiaries/businesses (refer note 34)	5,913	–	–	5,913
Arising on change in holding in subsidiary	687	–	7,855	8,542
Equity loan from non-controlling interests	–	16,486	–	16,486
Interest accrued on equity loan from non-controlling interests	–	363	–	363
Total comprehensive income/(loss) for the year	9,221	(14,713)	6,369	877
Dividends paid	(5,359)	–	(4,509)	(9,868)
Loss of control in Robor (refer note 35)	–	(166,307)	(10,806)[4]	(177,113)
Non-controlling interests as at 30 June 2018	**20,396**	**–**	**15,566**	**35,962**
Disposal of subsidiaries/businesses (refer note 35)	**–**	**–**	**(3,091)**	**(3,091)**
Equity loan from non-controlling interests	**5,500**	**–**	**–**	**5,500**
Total comprehensive income/(loss) for the year	**20,395**	**–**	**(7,935)**	**12,460**
Dividends paid	**(12,322)**	**–**	**–**	**(12,322)**
Non-controlling interests as at 30 June 2019	**33,969**	**–**	**4,540**	**38,509**

[3] *The non-controlling interests included in Other are not material to the Group.*
[4] *The R10.8 million relates to non-controlling interests held by Robor while Robor was classified as a subsidiary.*

26. BORROWINGS

Borrowings comprise of:

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Unsecured		
Short term loan repayable by BBS. The loan bore interest at the South African Prime Rate plus 100 basis points and had no fixed terms of repayment	**–**	500
Secured		
Term facility which bears interest at the 3 month Johannesburg Interbank Accepted Rate ("JIBAR") plus 700 basis points. Interest is compounded quarterly and settled semi-annually. A final bullet payment of the remaining capital is repayable in December 2019[1]	**98,435**	167,373
Term funding loans which bear interest at JIBAR plus 325 basis points. Capital repayments are settled semi-annually and interest is settled quarterly, with a final bullet payment of the remaining capital repayable in June 2023[2]	**374,445**	825,000
Term funding loans which bear interest at JIBAR plus 375 basis points. Interest is settled quarterly, with a bullet payment of the remaining capital repayable in June 2023[2]	**462,500**	–
Asset financing which bore interest at 7.4% per annum and had no fixed terms of repayment[3]	**–**	7,968
	935,380	1,000,841

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Non-current portion	**748,279**	909,874
Current portion	**187,101**	90,967
	935,380	1,000,841

Notes to the consolidated financial statements continued

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26. BORROWINGS (continued)

26.1 Description of borrowings

1 Term facility

On acquisition of a 22.9 % interest in KTH and buyout of the remaining shares in BHG in 2015, Tiso Blackstar raised a term facility of R500.0 million to settle the cash consideration of the purchase price of KTH, and a GBF of R65.0 million to fund the Group's working capital requirements. A total of R534.0 million was utilised from these facilities to settle the cash consideration and to repay the existing facility as full and final settlement. During the prior year, the term facility and GBF was restructured. The GBF was reduced to R50.0 million and was fully utilised (2018: nil) at 30 June 2019.

In terms of the RMB facility agreement, on disposal of BHG, KTH or CSI, the proceeds from the disposal must first be used to settle the outstanding debt. The term facility and GBF were settled in full on 5 November 2019, on receipt of the proceeds from the TBG SA Group sale.

Securities provided

The term facility is secured in favour of RMB and Standard Bank, and the securities offered are as follows:

- Reversionary cession of all BHG shares and loan accounts (refer note 16);
- Cession of the shares of CSI shares and loan accounts (refer note 9 and note 16);
- Cession of the shares and loan accounts of KTH (subject to the provisions contained in the KTH MOI) (refer note 17);
- Cession of all disposal proceeds of any assets of the Group after adjustment for applicable taxes on disposals and agreed upon head office costs;
- Cession of cash and certain Group's bank accounts (refer note 23);
- Negative pledge of all investments/assets; and
- Shares in security granted by BHG to its senior lenders.

No covenants were breached in both the current and prior financial year. This term facility and GBF were settled post year end, on receipt of the TBG SA Group sales proceeds.

2 Term funding loans

On the buyout of the remaining shares in BHG in 2015, term funding loans of R800.0 million were raised to settle the existing shareholders, R400.0 million by way of a five year amortising loan and R400.0 million by way of a five year bullet loan. During the current year, the term funding loans were restructured such that R150.0 of the amortising loan facility and R150.0 million of the bullet term loan facility were allocated to Hirt & Carter Group. On acquisition of FIL, an additional R100.0 million was raised as term facilities. Of the total term loans of R836.9 million at 30 June 2019, R250.0 million is held by TBG and R586.9 million is held by Hirt & Carter Group.

In accordance with the sales agreement for the disposal of all of the shares and claims in TBG, post year end, the proceeds from disposal were utilised to settle in full the term funding loans held by TBG. Tiso Blackstar also utilised some of the proceeds on disposal of the Media businesses to reduce the Hirt & Carter Group debt to an appropriate level.

The loan raising fee is amortised over the period of the loan and the amortised amount is included in finance costs.

Securities provided

Security over the term funding loans includes a guarantee by a security SPV, which is not controlled by the Group, and indemnity by the Group in favour of the security by the SPV, cross guarantees provided by wholly-owned Group companies, the cession and pledge of shares in wholly-owned subsidiaries and the hypothecation of trademarks.

No covenants were breached in both the current and prior financial year.

3 Asset financing

Securities provided

Security was provided by the underlying assets.

Notes to the consolidated financial statements continued

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26. BORROWINGS (continued)

26.2 Undiscounted contractual cash flows

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Due within one year	**276,153**	103,023
Due between two to five years	**661,124**	919,279
Due after more than five years	**–**	–
No fixed maturity	**–**	7,967
	937,277	1,030,269

Subsequent to year end, proceeds arising on disposal of TBG SA Group were utilised to settle the term facility and term funding loan held by TBG in full and a portion of the term funding loans held by Hirt & Carter Group. In the event that the loan is repaid early (as has been done on 5 November 2019), the total cash flows associated with the Group's borrowings as reported above would reduce by the amount of the loan interest no longer accruing.

The expected maturity of borrowings is expected to differ from the contractual maturities as disclosed above as a result of the use of proceeds to settle some or all of the borrowings.

27. OTHER FINANCIAL LIABILITIES

Other financial liabilities comprise of:

	Audited 30 June 2019 R'000	Restated* Audited 30 June 2018 R'000
Financial liabilities arising on grants received	**7,450**	6,294
Financial liabilities carried at amortised cost	**6,166**	5,776
Remaining purchase price payable on acquisition of FIL	**96,472**	–
Payable arising on acquisition of BBS and adjustment to the fair value of the contingent consideration payable	**68,121**	26,510
	178,209	38,580

	Audited 30 June 2019 R'000	Restated* Audited 30 June 2018 R'000
Non-current portion	**6,787**	6,397
Current portion	**171,422**	32,183
	178,209	38,580

* *Refer note 1.3.1.*

The Group considers the carrying value of other financial liabilities to approximate its fair value.

Notes to the consolidated financial statements continued

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28. FINANCE LEASE AND INSTALMENT SALE OBLIGATIONS

28.1 Leasing arrangements

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Bearing interest at rates varying between 9% and 15% which are repayable within four years and are secured by the underlying assets	**171,898**	173,869

The Group has entered into leasing arrangements whereby it expects to take ownership, or use of the asset for the majority of its useful life. These leases are primarily with Standard Bank and Hewlett Packard Financial Services for printing presses, and the terms of each lease is dependent on each asset leased.

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Non-current portion	**129,799**	123,610
Current portion	**42,099**	50,259
	171,898	173,869

28.2 Finance lease liabilities

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Minimum lease payments due		
Due within one year	**84,094**	52,706
Due between two to five years	**142,861**	129,503
	226,955	182,209
Less: Future finance charges	**(55,057)**	(8,340)
Present value of minimum lease payments	**171,898**	173,869

29. POST-RETIREMENT BENEFITS LIABILITIES

Certain operations in the Group have unfunded obligations to provide PRMA benefits to certain pensioners and employees on retirement. An obligation in respect of PRMA benefits no longer forms part of the conditions of employment for new employees. The quantum of the PRMA obligation is valued annually by independent actuaries.

The primary risk faced by Tiso Blackstar as a result of the post-employment healthcare obligation is as follows:

Longevity:

The risk that pensioners live longer than expected and thus their healthcare benefit is payable for longer than expected.

Valuation methods and assumptions:

The actuarial valuation method used to value the liability is the Projected Unit Credit Method prescribed by IAS 19. Future benefits valued are projected using specific actuarial assumptions.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

29. POST-RETIREMENT BENEFITS LIABILITIES (continued)

In order to undertake the valuation, it is necessary to make a number of assumptions. The primary assumptions used for the previous and current valuations are outlined below.

	30 June 2019	30 June 2018
Principal actuarial assumptions		
Discount rate	**8.00% p.a.**	9.00% p.a.
Healthcare cost inflation rate	**6.50% p.a.**	7.60% p.a.
CPI inflation	**4.50% p.a.**	5.60% p.a.
Salary inflation	**6.00% p.a.**	7.10% p.a.
Expected retirement age	**60 or 62 or 65**	60 or 62 or 65
Number of members		
In-service	**17**	19
Pensioners	**166**	286
	183	305

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
At the beginning of the year	**29,865**	61,906
Current service costs	**31**	61
Prior year service costs	**(348)**	(15,232)
Interest costs	**2,415**	4,305
Expected employer benefit payments	**(4,669)**	(8,810)
	27,294	42,230
Actuarial gains/(losses)	**1,784**	(2,252)
Plan amendment	**–**	(10,113)
Effect of Curtailment[1]	**(17,715)**	–
Effect of Settlement[2]	**(11,363)**	–
Included in continuing operations	**(2,500)**	–
Included in Media and Broadcast and Content disposal groups	**(8,863)**	–
At the end of the year	**–**	29,865

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Non-current portion	**–**	25,359
Current portion	**–**	4,506
	–	29,865

1 *The curtailment represents the value of the liability of eligible members who did not accept the buyout in 2018 and whose subsidy was terminated effective July 2019.*

2 *The settlement represents the value of the liability of eligible members who accepted a cash buyout offer in lieu of their post-employment healthcare subsidy. The liability amounted to R8.9 million as at 30 June 2019 and is included in provisions within non-current liabilities associated with non-current assets held for sale (refer note 9).*

The present value of the unfunded obligation is fully provided. The valuation results set out above are based on a number of assumptions.

In the prior year, a plan amendment gain of R10.1 million arose as a result of a change in subsidy amounts from the previous valuation. The effective date of this amendment was 1 January 2019.

In the current year, sensitivity workings were not determined due to the buyout. The liability shows the effect of the liability being valued with the inclusion of terminated members who did not accept the buyout in 2019.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

29. POST-RETIREMENT BENEFITS LIABILITIES (continued)

In the prior year, the following sensitivity workings had been completed to show the effect of:
- A one percentage point decrease or increase in the rate of healthcare cost inflation;
- A five or ten percentage point increase in the rate of healthcare cost inflation for the next five years, thereafter returning to a healthcare cost inflation of 7.60% p.a.;
- A one percentage point decrease or increase in the discount rate;
- A one year decrease or increase in the expected retirement age; and
- A change in the Rand cap inflation.

	30 June 2018 R'000
The following sensitivities indicate the value of the Post-retirement benefits liabilities if:	
1.0% increase in the rate of healthcare cost inflation	29,518
1.0% decrease in the rate of healthcare cost inflation	29,517
5.0% increase in the rate of healthcare cost inflation for the next five years	29,520
10.0% increase in the rate of healthcare cost inflation for the next five years	25,521
1.0% decrease in the discount rate	31,237
1.0% increase in the discount rate	27,910
One year decrease in the expected retirement age	29,649
One year increase in the expected retirement age	29,398
The Rand cap rate increases at CPI	42,190

30. PROVISIONS

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Provision for overage[1]	–	20,712
Onerous contracts[2]	**5,614**	6,493
Commissions and rebates	–	26,217
Payroll related provisions[3]	**26,688**	8,396
Other provisions	–	4,436
	32,302	66,254

[1] *The provision represents royalties payable by Empire Entertainment (previously Times Media Films) to studio houses. The provision is calculated based on royalty percentages and the expected performance of the films.*
[2] *Provision for lease agreement commitments arising on the cancellation of a lease, which expires in November 2021.*
[3] *The provision includes provision for bonuses and retrenchments costs, which will be settled in the short term.*

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Non-current portion	**4,138**	5,734
Current portion	**28,164**	60,520
	32,302	66,254

Notes to the consolidated financial statements continued

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30. PROVISIONS (continued)

30.1 Reconciliation of provisions

	Provision for overage R'000	Export claims R'000	Onerous contracts R'000	PRMA settlement provision R'000	Commissions and rebates R'000	Contingent liabilities raised on Deemed Acquisitions R'000	Payroll related provisions R'000	Other provisions R'000	Total R'000
30 June 2019									
At the beginning of the year	**20,712**	**–**	**6,493**	**–**	**26,217**	**–**	**8,396**	**4,436**	**66,254**
Provisions raised during the year	**3**	**–**	**–**	**–**	**904**	**–**	**48,545**	**3,038**	**52,490**
Provisions utilised during the year	**(5,697)**	**–**	**(878)**	**–**	**(1,920)**	**–**	**(22,529)**	**(2,507)**	**(33,531)**
Effect of discounting	**–**	**–**	**–**	**–**	**–**	**–**	**17**	**–**	**17**
Media and Broadcast and Content disposal groups	**(15,018)**	**–**	**–**	**–**	**(25,201)**	**–**	**(7,742)**	**(4,967)**	**(52,928)**
At the end of the year	**–**	**–**	**5,615**	**–**	**–**	**–**	**26,687**	**–**	**32,302**

	Provision for overage R'000	Export claims R'000	Onerous contracts R'000	PRMA settlement provision R'000	Commissions and rebates R'000	Contingent liabilities raised on Deemed Acquisitions R'000	Payroll related provisions R'000	Other provisions R'000	Total R'000
30 June 2018									
At the beginning of the year	18,549	670	9,063	13,729	27,226	31,403	17,122	8,925	126,687
Provisions raised during the year	14,580	7,047	–	–	107,516	–	46,110	2,955	178,208
Provisions utilised during the year	(12,417)	–	(2,570)	(13,729)	(108,525)	(18,275)	(49,059)	(6,821)	(211,396)
CSI disposal group	–	–	–	–	–	(10,878)	(4,792)	–	(15,670)
Loss of control in Robor (note 35)	–	(7,717)	–	–	–	(2,250)	(985)	(623)	(11,575)
At the end of the year	20,712	–	6,493	–	26,217	–	8,396	4,436	66,254

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

31. TRADE AND OTHER PAYABLES

	Audited 30 June 2019 R'000	Restated* Audited 30 June 2018 R'000
Trade payables	**297,893**	375,652
Amounts received in advance	**20,009**	58,295
Shareholders for dividends	**986**	1,373
VAT payable	**9,031**	24,389
Salary related accruals	**26,733**	85,628
Accruals	**40,097**	165,137
Payments due to publishers	**78,431**	38,395
Subscriptions liability	**–**	36,120
Royalties payable	**36,887**	35,098
Rebates payable	**–**	32,599
Other payables	**2,494**	43,154
	512,561	895,840

* *Refer note 1.3.1.*

No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. The average credit period on purchases of certain goods ranges between 30 to 120 days.

The directors consider the carrying value of trade and other payables to approximate its fair value.

Notes to the consolidated financial statements continued

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32. CASH GENERATED BY OPERATIONS

	Audited 30 June 2019 R'000	Restated* Audited 30 June 2018 R'000
Loss for the year	**(547,782)**	(378,631)
Taxation		
Continuing operations	**17,754**	41,073
Discontinued operations	**(27,796)**	19,715
Loss before taxation	**(557,824)**	(317,843)
Adjustments for non-cash items:		
Depreciation	**99,413**	131,737
Profit on disposal of property, plant and equipment	**(2,296)**	(2,218)
Impairment of property, plant and equipment	**197**	–
Amortisation	**85,790**	63,108
Loss/(Profit) on disposal of intangible assets	**30**	(25,000)
Impairment of intangible assets	**9,493**	761
Gains arising on investment property	**–**	(36)
Loss on disposal of subsidiary	**16,400**	2,099
Gain on loss of control in Robor	**–**	(5,821)
Loss on part disposal on KTH	**–**	44,963
Profit on disposal of associates	**(1,150)**	(187)
Unrealised loss/(gain) arising on disposal of equity investments (listed and unlisted)	**954**	(954)
Realised (gain)/loss arising on disposal of equity investments (listed and unlisted)	**(827)**	2,715
Loss on remeasurement of fair value less costs to sell Media, and Broadcast and Content disposal groups	**59,269**	–
Loss on remeasurement of fair value less costs to sell African Investments disposal group	**154,760**	–
Loss on remeasurement of fair value less costs to sell CSI disposal group	**10,704**	178,771
Release of foreign currency translation reserve of CSI disposal group	**11,644**	–
Dividends and interest accrued from loans and investments	**(4,243)**	(1,783)
Share of loss/(profit) of associates	**136,802**	(172,393)
(Reversal of impairment)/Impairment loss on associates	**(4,063)**	269,954
Impairment of other investments, loans and receivables	**73,303**	–
Net finance costs	**167,558**	220,653
FSP share based payment expense	**26,080**	9,456
Net movement in provisions and other financial assets/liabilities	**8,145**	(100,958)
PRMA gain	**(1,783)**	–
Other non-cash items	**(308)**	(2,144)
Interest accrued on equity loan from non-controlling interests	**–**	363
Changes in working capital:		
Decrease in inventory	**41,141**	29,539
Decrease in trade and other receivables	**23,449**	43,314
Decrease in trade and other payables	**(90,834)**	(8,530)
Decrease in lease accrual	**18,701**	6,989
Cash generated by operations	**280,505**	366,555

* *Refer note 1.3.1.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

33. NET TAXATION PAID

	Audited 30 June 2019 R'000	Restated* Audited 30 June 2018 R'000
Taxation payable at the beginning of the year	**(7,305)**	(1,861)
Acquisitions of subsidiaries/businesses (note 34)	**(1,959)**	(1,015)
Disposals of subsidiaries/business (note 35)	**(565)**	(19)
Total tax charge for the year from continuing operations	**(35,950)**	(64,902)
Total tax credit/(charge) for the year from discontinued operations	**5,448**	(2,637)
Current year charge for share based payment recognised directly in equity	**593**	2,558
Tax benefit on recharge amount exceeding FSP share based payment expense	**(3,635)**	–
Other	**77**	2,225
CSI disposal group	**(809)**	398
Loss of control in Robor (note 35)	**–**	(3,847)
Media and Broadcast and Content disposal groups	**2,743**	–
Taxation (receivable)/payable at the end of the year	**(3,968)**	7,305
Net taxation paid during the year	**(45,330)**	(61,795)

* *Refer note 1.3.1.*

34. BUSINESS COMBINATIONS

34.1 Acquisitions during the current year

On 13 March 2019, Hirt & Carter Group acquired the entire issued share capital of FIL for a purchase consideration of R190.0 million, which is payable in two separate tranches as follows:

- an initial payment of R95.0 million, which was paid on 13 March 2019; and
- a second payment equal to the base amount plus interest, payable on 13 March 2020.

Had the acquisition of FIL been effected 1 July 2018, the revenue and loss of the Group from continuing operations for the year ended 30 June 2019 would have been R2,592.0 million, and R427.7 million, respectively. These numbers represent an approximate measure of the performance of the combined Group on a full year basis and provide a reference point for future periods.

The Hirt & Carter Group, consisting of H&C division, Uniprint, Labels and Forms, Triumph and many other integrated brands, delivers unique design, marketing, technology, data insights and execution services to the Retail and FMCG market. The Hirt & Carter Group aims to be the partner of choice for blue-chip marketers and advertisers looking to sell products and promote their brands in the sub-Saharan African market.

Labels and Packaging are the last vestige of consumer interaction for both Retailers and Brands, and the Hirt & Carter Group, through its existing Labels division, is looking to enhance the product and service offering to the Group's client base. It is part of the Group's strategy to invest in growth segments of the Brand and Marketing solutions sector.

FIL is a Durban based business which prints flexo and digital labels, shrink sleeves, wrap around labels and coupons for blue-chip customers. The acquisition of FIL, and subsequent merger with Uniprint Labels, creates a world-class labels business with a unique and innovative offering.

The acquisition adds scale to the existing business, further diversifying the technology offering and capabilities for clients, and enhancing the earnings base for the Group. In addition, the merged business operates out of the new integrated facility in Cornubia, Durban, and leverages off the efficiencies and cost savings this facility has created. FIL has a strong leadership team and has assumed management of the combined business, which operates under the First Impression Labels brand. There is very little customer overlap in the merged entity.

The new leadership team has a proven track record in building strong customer relationships, has built a diverse client base, and has already complemented the existing Labels business. The labels market is fragmented and requires consolidation to benefit from scale and ultimately synergies from lower input costs.

Notes to the consolidated financial statements continued

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34. BUSINESS COMBINATIONS (continued)

34.2 Acquisition during the prior year

Effective 1 July 2017, the Hirt & Carter Group acquired a 51.0% interest in Bothma Branding Solutions Proprietary Limited ("BBS") for R15.9 million. BBS design, produce and execute branding solutions in the formal and informal retail markets.

BBS was acquired to continue with the expansion of the Group's retail focused strategy. Goodwill of R36.7 million arose on acquisition of BBS and the fair value of the identifiable assets and liabilities at acquisition date was R11.6 million.

34.3 Assets acquired and liabilities recognised at the date of acquisition

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Property, plant and equipment	**71,222**	5,644
Intangible assets	**32,520**	4
Other financial assets	**171**	–
Inventories	**11,022**	2,687
Trade and other receivables	**45,090**	7,553
Cash and cash equivalents	**19,805**	1,971
Net deferred taxation	**(22,163)**	(682)
Borrowings and other financial liabilities	**–**	(1,361)
Finance lease and instalment sales obligations	**(24,715)**	–
Current tax payable	**(1,959)**	(1,015)
Trade and other payables	**(19,962)**	(3,173)
Identifiable assets and liabilities at fair value at acquisition date[1]	**111,031**	11,628
Non-controlling interests[2]	**–**	(5,913)
Goodwill	**78,969**	36,653
Purchase consideration	**190,000**	42,368
Less: Purchase consideration included in other financial liabilities	**(95,000)**	(26,510)
Purchase consideration paid in cash	**95,000**	15,858
Cash flows		
Purchase consideration paid in cash	**(95,000)**	(15,858)
Add: Cash and cash equivalents acquired	**19,805**	1,971
Net cash flows on acquisition of subsidiaries/businesses	**(75,195)**	(13,887)
Cash flows		
Cash generated by operating activities	**106,530**	2,435
Cash utilised by investing activities	**(193,932)**	(1,219)
Cash utilised by financing activities	**76,310**	(2,534)
Net cash outflows	**(11,092)**	(1,318)

[1] *In respect of current year acquisition, identifiable assets and liabilities are shown at book value, except for property, plant and equipment, and intangible assets, whose fair values were determined in the purchase price allocation ("PPA") done for FIL.*

[2] *Measured with reference to the non-controlling interest's share of the identifiable assets and liabilities at fair value, at acquisition date.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

34. BUSINESS COMBINATIONS (continued)

34.4 Goodwill arising on acquisition

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Consideration transferred	**190,000**	42,368
Plus: Non-controlling interest	**–**	5,913
Less: Fair value of net identifiable assets acquired	**(111,031)**	(11,628)
Goodwill arising on acquisition	**78,969**	36,653

The goodwill arising on the acquisition has been tested for impairment, refer note 14.

34.5 Impact of acquisitions on the results of the Group

FIL and BBS were acquired to continue with the expansion of the Group's strategy to expand Hirt & Carter Group. Goodwill of R79.0 million and R36.7 million respectively, arose on acquisition of FIL and BBS. The goodwill recognised was for a control premium and expected synergies. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for intangible assets. Goodwill is not expected to be deductible for tax purposes.

FIL has contributed revenue of R71.1 million and a loss for the year of R7.0 million to the Group's results for the year ended 30 June 2019.

BBS contributed revenue of R77.6 million and a profit for the year of R7.8 million to the Group's results for the year ended 30 June 2018.

The fair value of the financial assets includes trade receivables with a fair value and a gross contractual value of R45.6 million for FIL. The best estimate at acquisition date of the contractual cash flows not to be collected for trade receivables was R2.1 million for FIL and nil for BBS.

35. DISPOSAL OF SUBSIDIARIES/BUSINESSES AND CHANGES IN HOLDINGS

35.1 Disposals during the current year

The Group disposed of the following investments during the current period:
- effective 30 November 2018, the Group's entire shareholding and claims in its wholly-owned subsidiary CSI, for a purchase consideration of R50.0 million and R20.0 million was received in cash; and
- effective 1 August 2018, the Group's 50.0% plus one share option interest in STS for R21.5 million.

35.2 Loss of control in Robor during the prior year

The Group disposed of a 3.4% interest in Robor during the prior year for R16.5 million reducing its interest in Robor from 51.0% to 47.6%, and thereby resulting in a loss of control and a step down from a subsidiary to an associate.

35.3 Other disposals of subsidiaries and businesses during the prior year

During the prior year, other less significant disposals of subsidiaries and businesses took place ("Other Disposals") and comprise of:
- the Group disposed of its entire shareholding in its wholly-owned subsidiary Fantastic for R2.0 million; and
- the Group disposed of its 51.0% interest in Backbone Studios Proprietary Limited (previously Orange View Studios Proprietary Limited) for R26,000.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

35. DISPOSAL OF SUBSIDIARIES/BUSINESSES AND CHANGES IN HOLDINGS (continued)

35.4 Reconciliation of disposals

The net assets of the disposed subsidiaries at the date of disposal were as follows:

	CSI R'000	STS R'000	Total R'000
30 June 2019			
Property, plant and equipment	124,210	447	124,657
Intangible assets	–	608	608
Goodwill	–	33,992	33,992
Investment in associates, joint ventures, other investments, loans and receivables	8,492	–	8,492
Inventories	393,876	721	394,597
Trade and other receivables	354,059	65,681	419,740
Current tax receivable	411	565	976
Cash and cash equivalents	44,086	32,191	76,277
Net deferred taxation	10,888	526	11,414
Provisions	(10,878)	–	(10,878)
Finance lease and instalment sales obligations	(33,589)	–	(33,589)
Straight lining of leases	(8,376)	–	(8,376)
Trade and other payables	(452,833)	(93,740)	(546,573)
Bank overdrafts and other short term borrowing facilities	(380,346)	–	(380,346)
Identifiable assets and liabilities disposed of	50,000	40,991	90,991
Less: Non-controlling interests[1]	–	(3,091)	(3,091)
Less: Consideration received	(50,000)	(21,500)	(71,500)
Loss on disposal	–	16,400	16,400
Consideration received			
Cash consideration received	20,000	21,500	41,500
Deferred sales proceeds	30,000	–	30,000
Total consideration received	50,000	21,500	71,500
Cash flows			
Consideration received in cash and cash equivalents	20,000	21,500	41,500
Less: cash and cash equivalents disposed of	336,260	(32,191)	304,069
Net cash flows on disposal of subsidiaries/businesses	356,260	(10,691)	345,569

[1] *Measured with reference to the non-controlling interest's share of the identifiable assets and liabilities on disposal date.*

Notes to the consolidated financial statements continued

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35. DISPOSAL OF SUBSIDIARIES/BUSINESSES AND CHANGES IN HOLDINGS (continued)

35.4 Reconciliation of disposals (continued)

	Robor R'000	Other disposals R'000	Total R'000
30 June 2018			
Property, plant and equipment	465,637	–	465,637
Investment property	–	12,710	12,710
Intangible assets	127	–	127
Goodwill	71,454	–	71,454
Investment in associates, joint ventures, other investments, loans and receivables	11,800	–	11,800
Other financial assets	687	133	820
Inventories	358,466	–	358,466
Trade and other receivables	406,143	185	406,328
Current tax receivable	3,847	19	3,866
Cash and cash equivalents	63,544	297	63,841
Net deferred taxation	(22,842)	913	(21,929)
Borrowings and other financial liabilities	(141,314)	(9,644)	(150,958)
Provisions	(11,575)	–	(11,575)
Trade and other payables	(374,246)	(489)	(374,735)
Bank overdrafts and other short term borrowing facilities	(494,689)	–	(494,689)
Identifiable assets and liabilities disposed of	337,039	4,124	341,163
Less: Fair value of remaining shareholding on loss of control	(149,261)	–	(149,261)
Less: Consideration received	(16,486)	(2,025)	(18,511)
Less: Non-controlling interests[1]	(177,113)	–	(177,113)
(Gain)/Loss on disposal	(5,821)	2,099	(3,722)
Consideration received			
Cash consideration received	–	2,025	2,025
Deferred sales proceeds	16,486	–	16,486
Total consideration received	16,486	2,025	18,511
Cash flows			
Consideration received in cash and cash equivalents	–	2,025	2,025
Less: cash and cash equivalents disposed of	431,145	(297)	430,848
Net cash flows on disposal of subsidiaries/businesses	431,145	1,728	432,873

[1] *Measured with reference to the non-controlling interest's share of the identifiable assets and liabilities on disposal date.*

The gain/(loss) on disposal is included net (loss)/profit, refer note 6.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

36. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

36.1 Categories of financial assets and liabilities

36.1.1 Relating to the Group (excluding the Media, Broadcast and Content, and CSI disposal groups)

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Financial assets		
Financial assets at fair value through profit and loss		
Financial assets held for trading (refer note 18)	–	1,112
Loans and receivables	**671,491**	1,218,551
Investments classified as loans and receivables (refer note 18)	**25,600**	17,061
Trade and other receivables (refer note 22)[1]	**510,561**	806,994
Cash and cash equivalents (refer note 23)	**135,330**	394,496
	671,491	1,219,663
Financial liabilities		
Financial liabilities measured at amortised cost		
Borrowings (refer note 26)	**(935,380)**	(1,000,841)
Other financial liabilities (refer note 27)	**(178,209)**	(38,580)
Trade and other payables (refer note 31)[2]	**(456,788)**	(727,528)
Bank overdrafts and other short term borrowing facilities (refer note 23)	**(272,802)**	(285,562)
	(1,843,179)	(2,052,511)

[1] *Excludes VAT, prepayments and deposits.*
[2] *Excludes VAT, income received in advance and salary and wages accruals.*

36.1.2 Media, Broadcast and Content, and CSI disposal groups

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Financial assets		
Financial assets at fair value through profit and loss		
Non-current assets held for sale (refer note 9)		
Investments classified as loans and receivables	–	4,034
Trade and other receivables[1]	**290,441**	373,389
Cash and cash equivalents	–	41,633
	290,441	419,056
Financial liabilities		
Financial liabilities measured at amortised cost		
Non-current liabilities associated with non-current assets held for sale (refer note 9)		
Borrowings	**(7,313)**	–
Bank overdrafts and other short term borrowing facilities	–	(400,301)
Trade and other payables[2]	**(243,893)**	(565,976)
	(251,206)	(966,277)

[1] *Excludes VAT, prepayments and deposits.*
[2] *Excludes VAT, income received in advance and salary and wages accruals.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

36. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

36.2 Financial risk management overview

The Group has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; and market risk (which comprise currency risk, interest rate risk and market price risk).

The Group's major financial risks are mitigated through industry diversification and decentralisation. Thus the impact on the Group of any one particular risk within any of these industries is limited. Group companies are run on a decentralised manner with management of the underlying business maintaining an entrepreneurial focus. The risks within the underlying businesses are managed by their local management teams who are responsible for their own operations.

With respect to companies where Tiso Blackstar holds a controlling, or a significant interest, the board ensure that the Group companies are well staffed with strong, experienced management teams who are responsible for designing and implementing a risk management strategy and monitoring the process of risk management. These management teams are remunerated based on operational performance and are incentivised appropriately. The managing directors, financial directors and divisional heads of the companies are involved in the day-to-day management of the business, thereby identifying any financial risks. The subsidiary companies have monthly executive management meetings, where areas of concern and risks, and management thereof, are discussed. Any significant issues are further escalated to the board where appropriate. In addition to this, Tiso Blackstar is represented on each of these company's board of directors.

The information provided below for each financial risk has been collated for disclosure based on the way in which the business is managed and what is believed to be useful information for shareholders. For this reason the information provided within the note is analysed by segment as referred to in the segmental report (refer note 46). This note presents information about the Group's exposure to each of the afore-mentioned risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

36.3 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, investments, cash and cash equivalents and guarantees.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained. The carrying values for other loans and receivables, trade receivables and cash and cash equivalents are provided in notes 18, 22 and 23, respectively.

One of the Group's primary credit risks is attributable to its trade receivables. The amounts presented in the statement of financial position relating to the Group (excluding the Media, Broadcast and Content, and CSI disposal groups), are net of the expected credit loss allowance of R8.0 million (2018: R14.8 million) and allowance for credit notes of R1.5 million (2018: R1.5 million), and for the Media, Broadcast and Content, and CSI disposal groups, net of the expected credit loss allowance of R8.6 million (2018: R14.8 million) and allowance for credit notes of R92,000 (2018: R1.5 million). These are estimated by the investee company's management based on the current economic environment and individual debtor circumstances. The method of calculating the provisions varies from close contact with customer, CGIC and other credit rating offices, nature and credit quality of counter parties as well as disputes regarding price, delivery, quality and authorisation of work done.

Expected credit losses ("ECLs") assessment

The Group applies the ECL model to the following financial assets:
- trade receivables; and
- other loans and receivables.

In principle, ECLs are calculated by incorporating the probability of default and the magnitude of the expected default on the amount receivable. For trade receivables, the Group uses a provision matrix to measure the ECLs from the Group's customers, which comprise of a large number of balances. This is line with the practical expedient allowed by IFRS 9.

Loss rates that are applied in the provision matrix are calculated based on the probability of a receivable progressing through successive stages of delinquency until it is written-off. Loss rates are calculated separately for exposures in different segments based on common credit risk characteristics – type of customers and contracts and type of revenue. Additionally, the Group takes out debtors insurance on customers where it is considered appropriate to do so.

Trade receivables and other loans and receivables are written off when there is no reasonable expectation of recovery. This is assessed individually by each operation and includes for example where the trade receivables have been handed over for collection and remain outstanding or the party to which the Group has loaned money has entered bankruptcy.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

36. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

36.3 Credit risk (continued)

Expected credit losses ("ECLs") assessment (continued)

The table below details the credit quality of the Group's financial assets and the Group's maximum exposure to credit risk by credit risk rating categories:

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL?	Gross carrying amount R'000	Loss allowance R'000	Net carrying amount R'000
Loans to related parties	18	N/A	Performing	Lifetime ECL	98,904	(73,304)	25,600
Trade receivables[1]	22	N/A	(i)	Lifetime ECL	491,587	(8,037)	483,550

[1] *For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.*

36.3.1 Trade and other receivables

Refer note 22 for Trade and other receivables.

Provision matrix approach:

ECL rates are calculated by combining the following:

- Historical loss rates that are based on actual credit loss experience over the last three years. These rates are multiplied by scalar factors to reflect economic conditions during the period over which the historical data has been collected.
- Forward-looking information that is used to adjust the ECL historical rate and encompasses the current conditions of the debtors, as well as the Group's view of economic conditions over the expected lives of the receivables.

As all efforts are made to collect a debt before it is written off (through handing over of the debtor, negotiation and sometimes litigation), the loss rate related to the 91+ days aging category will always be significantly higher than the rates related to the lower aging brackets as it is most likely that any debtor that is written off will fall into this aging category.

The following table details the risk profile of trade receivables based on the Group's provision matrix and has been grouped according to how debtors are aged from the date of invoice, as this represents their progress through the various stages of delinquency:

	Gross trade receivables R'000	Expected loss rate (%)	Loss allowance R'000
30 June 2019			
Aging of trade receivables			
Not past due	**381,418**	**0.6%**	**(2,248)**
0 – 30 days	**42,992**	**2.0%**	**(863)**
31 – 60 days	**21,242**	**1.9%**	**(400)**
61 – 90 days	**34,545**	**3.0%**	**(1,035)**
91+ days	**11,390**	**30.6%**	**(3,491)**
Total	**491,587**		**(8,037)**

	Gross trade receivables R'000	Expected loss rate (%)	Loss allowance R'000
30 June 2018			
Aging of trade receivables			
Not past due	412,255	0.5%	(1,940)
0 – 30 days	162,390	0.5%	(837)
31 – 60 days	21,495	1.5%	(330)
61 – 90 days	14,187	1.5%	(213)
91+ days	56,298	20.5%	(11,514)
Total	666,625		(14,834)

36.3.2 Investments classified as loans and receivables

The loss allowance for loans and receivables (refer note 18), is calculated as the difference between all contractual cash flows that are due to the Group and all cash flows that the Group expects to receive in line with current factors, discounted at the original effective interest rate.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

36. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

36.3 Credit risk (continued)

36.3.2 Investments classified as loans and receivables (continued)

An integral part of the Group's credit risk management process is the approval of all investments and financing transactions by the board. The Group manages its credit risk by setting acceptable exposure limits for investee companies in the respective segments. The Group provides financing to companies in which it has a controlling or significant interest. This financing is provided on the strength of the underlying investee companies.

The board meets on a quarterly basis to review the investee companies, in particular the underlying performance of each company in which it has invested and consequently monitors credit risk on an ongoing basis.

A segmental analysis of the investment portfolios are set out in the tables below. No single industry is considered to be materially more risky in nature than another.

	Audited 30 June 2018 R'000
Loans and receivables carried at amortised cost	
CSI disposal group[1]	4,034
Other	17,061
Total loans exposed to credit risk	21,095

[1] *CSI was classified and presented as a non-current asset held for sale at 30 June 2018 (refer note 9).*

Credit risk exposure on loans and receivables carried at amortised cost

	30 June 2019		30 June 2018	
	Exposure %	Exposure R'000	Exposure %	Exposure R'000
CSI disposal group[1]	**0%**	**–**	19%	4,034
Other	**0%**	**–**	81%	17,061
	0%	**–**	100%	21,095

[1] *CSI was classified and presented as a non-current asset held for sale at 30 June 2018 (refer note 9).*

Reconciliation of loss allowance:

The table below provides information about the exposure to credit risk and ECLs for trade receivables and investments classified as loans and receivables as at 30 June 2019:

	30 June 2019		30 June 2018
	Trade receivables R'000	Loans and receivables R'000	Trade receivables R'000
Balance at 1 July under IAS 39	**(14,834)**	**–**	(34,280)
Adjustment on initial application of IFRS 9	**–**	**–**	–
Balance at 1 July under IFRS 9	**(14,834)**	**–**	(34,280)
Acquisitions	**(1,193)**	**–**	–
Disposals	**333**	**–**	–
Provision raised during the year	**(10,807)**	**(73,304)**	(11,609)
Amounts recovered during the year	**9,126**	**–**	4,617
Actual amounts written off during the year	**1,071**	**–**	–
Net exchange differences on translation	**(318)**	**–**	–
Media, Broadcast and Content disposal groups	**8,585**	**–**	–
CSI disposal group	**–**	**–**	12,544
Loss of control in Robor	**–**	**–**	13,894
Loss allowance as at 30 June	**(8,037)**	**(73,304)**	(14,834)

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

36. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

36.3 Credit risk (continued)

36.3.3 Cash and cash equivalents

Any excess cash and cash equivalents are held in current accounts, money market funds, and term deposits. At year end, cash and cash equivalents relating to the Group (excluding the Media, Broadcast and Content, and CSI disposal groups) amounted to R135.3 million (2018: R394.5 million) and bank overdrafts and other short term borrowing facilities amounted to R272.8 million (2018: R285.6 million). Cash and cash equivalents relating to the Media and Broadcast and Content disposal groups are sold excluding any cash, bank overdrafts and debt which remains and is required to be settled by Tiso Blackstar directly (refer note 9). In the prior year, cash and cash equivalents relating to the CSI disposal group amounted to R41.6 million and bank overdrafts and other short term borrowing facilities amounted to R400.3 million. In 2019 and 2018, all cash and cash equivalents were held in financial institutions with a minimum rating of BBB+.

36.3.4 Guarantees

Refer note 40 Contingencies and guarantees for further details of guarantees issued by the Group. The Group's maximum exposure to credit risk, without taking into account collateral or any other credit enhancements held, in respect of guarantees would be equal to the borrowings disclosed in note 26.

36.4 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management maintain relationships with the Group's bankers and monitor cash reserves on an ongoing basis to ensure there are sufficient cash resources to meet liabilities in the short term.

Management of each investee company are responsible for ensuring they have sufficient funds to meet their operational requirements. The Group has access to cash on hand of R6.7 million (2018: R79.0 million) at the centre. All surplus cash held at the centre is deposited as voluntary payments into the term debt facility. Cash available to cover operational expenses is kept by the Group companies as liquid cash with reputable banks.

The management of each of the Group companies are responsible for managing their business' liquidity risk.

36.4.1 Contractual maturities of non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of the financial liabilities. The table includes both interest and principal cash flows. To the extent that interest flows are at a floating rate, the undiscounted amount is derived utilising the interest rate at year end. The contractual maturity is based on the earliest date on which the Group may be required to pay.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

36. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

36.4 Liquidity risk (continued)

36.4.1 Contractual maturities of non-derivative financial liabilities (continued)

36.4.1.1 Relating to the Group (excluding the Media, Broadcast and Content, and CSI disposal groups)

	Carrying amount R'000	Undiscounted contractual cash flows Total R'000	6 months or less R'000	6 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	No fixed maturity R'000
As at 30 June 2019							
Borrowings (refer note 26)^	(935,380)	(937,277)	(213,701)	(62,452)	(661,124)	–	–
Other financial liabilities (refer note 27)	(178,209)	(178,209)	(5,470)	(166,032)	(405)	(136)	(6,166)
Trade and other payables (refer note 31)	(456,788)	(456,788)	(456,788)	–	–	–	–
Total financial liabilities	(1,570,377)	(1,572,274)	(675,959)	(228,484)	(661,529)	(136)	(6,166)

	Carrying amount R'000	Undiscounted contractual cash flows Total R'000	6 months or less R'000	6 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	No fixed maturity R'000
As at 30 June 2018							
Borrowings (refer note 26)^	(1,000,841)	(1,030,269)	(51,684)	(51,339)	(919,279)	–	(7,967)
Other financial liabilities (refer note 27)	(38,580)	(38,580)	(40)	(26,551)	(6,181)	(216)	(5,592)
Trade and other payables (refer note 31)	(727,528)	(727,528)	(727,528)	–	–	–	–
Total financial liabilities	(1,766,949)	(1,796,377)	(779,252)	(77,890)	(925,460)	(216)	(13,559)

^ *The above cash flows in respect of the Group's borrowings are disclosed on the assumption that the loans are held to maturity. As noted above, proceeds arising on disposal of the Media businesses will be utilised to settle the term facility and term funding loans held by TBG in full and a portion of the term funding loans held by Hirt & Carter Group. As noted above, subsequent to year end proceeds arising on disposal of TBG SA Group were utilised to settle the term facility and term funding loan held by TBG in full and a portion of the term funding loans held by Hirt & Carter Group. Proceeds from the Africa Radio and SA Radio sales will be utilised to further reduce the Hirt & Carter Group borrowings. In the event that the loan is repaid early (as has been done on 5 November 2019), the total cash flows associated with the Group's borrowings as reported above would reduce by the amount of the loan interest no longer accruing.*

Notes to the consolidated financial statements continued

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36. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

36.4 Liquidity risk (continued)

36.4.1 Contractual maturities of non-derivative financial liabilities (continued)

36.4.1.2 Media, Broadcast and Content, and CSI disposal groups

	Carrying amount R'000	Undiscounted contractual cash flows: Total R'000	6 months or less R'000	6 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	No fixed maturity R'000
As at 30 June 2019							
Borrowings	**(7,313)**	**(7,313)**	**(7,313)**	–	–	–	–
Trade and other payables	**(243,893)**	**(243,893)**	**(243,893)**	–	–	–	–
	(251,206)	**(251,206)**	**(251,206)**	–	–	–	–

	Carrying amount R'000	Undiscounted contractual cash flows: Total R'000	6 months or less R'000	6 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	No fixed maturity R'000
As at 30 June 2018							
Trade and other payables	(565,976)	(565,976)	(565,976)	–	–	–	–

Notes to the consolidated financial statements continued

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36. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

36.4 Liquidity risk (continued)

36.4.2 Undrawn facilities and securities provided

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Unsecured facilities		
Bank overdraft facility, reviewed annually and payable on call		
Utilised	**137,472**	285,552
Unutilised	**63,528**	195,448
	201,000	481,000
Secured facilities		
Term facility taken out to finance the acquisition of KTH investments (refer note 26 for securities provided)		
Utilised	**98,435**	167,374
Unutilised	**–**	–
GBF to fund working capital requirements (refer note 26 for securities provided)		
Utilised	**50,000**	–
Unutilised	**–**	50,000
Term funding loans of BHG (refer note 26)		
Utilised	**836,945**	825,000
Unutilised	**–**	–
	985,380	1,042,374

36.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk has been broken down into currency risk, interest rate risk and market price risk.

36.5.1 Currency risk

The functional currency of the Company is South African Rands, being the currency of the primary economic environment in which the Company and its subsidiaries operate.

The Group's activities expose it to financial risks of changes in foreign currency.

Currency risk arises because the Group holds interests in companies whose currencies differ from its functional and presentational currency (Rands). The financial results of these operations are exposed to currency risk on translation into Rands. Currency risk also arises because operations incur costs from service providers in various parts of the world whose currency is not the same as the Group's functional and presentational currency (Rands). The board meet on a quarterly basis to review the performance of all businesses and consequently monitors currency risk on an ongoing basis. To mitigate this risk, the Group may hedge its currency exposure from time to time.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

36. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

36.5 Market risk (continued)

36.5.1 Currency risk (continued)

Exposure to currency risk

36.5.1.1 Relating to the Group (excluding the Media, Broadcast and Content, and CSI disposal groups)

	South African Rand R'000	Pounds Sterling R'000	US Dollar R'000	Euro R'000	Zambian Kwacha R'000	Total R'000
As at 30 June 2019						
Financial assets						
Investments classified as loans and receivables (refer note 18)	**25,600**	**–**	**–**	**–**	**–**	**25,600**
Trade and other receivables (refer note 22)	**506,302**	**–**	**–**	**–**	**4,259**	**510,561**
Cash and cash equivalents (refer note 23)	**122,701**	**5,041**	**7,588**	**–**	**–**	**135,330**
Total financial assets	**654,603**	**5,041**	**7,588**	**–**	**4,259**	**671,491**
Financial liabilities						
Borrowings (refer note 26)	**(935,380)**	**–**	**–**	**–**	**–**	**(935,380)**
Other financial liabilities (refer note 27)	**(178,209)**	**–**	**–**	**–**	**–**	**(178,209)**
Trade and other payables (refer note 31)	**(450,279)**	**(4,784)**	**(1,565)**	**(160)**	**–**	**(456,788)**
Bank overdrafts and other short term borrowing facilities (refer note 23)	**(272,802)**	**–**	**–**	**–**	**–**	**(272,802)**
Total financial liabilities	**(1,836,670)**	**(4,784)**	**(1,565)**	**(160)**	**–**	**(1,843,179)**

	South African Rand R'000	Pounds Sterling R'000	US Dollar R'000	Euro R'000	Zambian Kwacha R'000	Total R'000
As at 30 June 2018						
Financial assets						
Investments classified as loans and receivables (refer note 18)	17,061	–	–	–	–	17,061
Financial assets held for trading (refer note 18)	1,112	–	–	–	–	1,112
Trade and other receivables (refer note 22)	801,669	–	–	–	5,325	806,994
Cash and cash equivalents (refer note 23)	389,137	273	5,073	13	–	394,496
Total financial assets	1,208,979	273	5,073	13	5,325	1,219,663
Financial liabilities						
Borrowings (refer note 26)	(1,000,841)	–	–	–	–	(1,000,841)
Other financial liabilities (refer note 27)	(38,580)	–	–	–	–	(38,580)
Trade and other payables (refer note 31)	(722,621)	(4,312)	–	(595)	–	(727,528)
Bank overdrafts and other short term borrowing facilities (refer note 23)	(285,562)	–	–	–	–	(285,562)
Total financial liabilities	(2,047,604)	(4,312)	–	(595)	–	(2,052,511)

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

36. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

36.5 Market risk (continued)

36.5.1 Currency risk (continued)

36.5.1.2 Media, Broadcast and Content, and CSI disposal groups

The disposal groups are not subject to currency risk, as their financial instruments are denominated in South African Rand.

36.5.1.3 Sensitivity analysis for exposure to foreign currency risk

The following table demonstrates, in Rands, what the impact on equity and profit and loss would be if the Rand strengthened/(weakened) by 10%, being a change considered reasonably possible giving current fluctuations , and all other variables remained constant:

	10% weakening in the Rand	
	Audited 30 June 2019 R'000	**Audited 30 June 2018 R'000**
Currency exposed to:		
Pounds Sterling	**(26)**	(404)
US Dollar	**(602)**	507
Euro	**16**	(58)
Swiss Franc	**–**	–
Zambian Kwacha	**(426)**	533

	10% strengthening in the Rand	
	Audited 30 June 2019 R'000	**Audited 30 June 2018 R'000**
Currency exposed to:		
Pounds Sterling	**26**	404
US Dollar	**602**	(507)
Euro	**(16)**	58
Swiss Franc	**–**	–
Zambian Kwacha	**426**	(533)

The following significant exchange rates applied during the year:

	30 June 2019	30 June 2018
South African Rands/Pounds Sterling		
Average rate	**18.012**	17.284
Closing rate	**17.907**	18.152

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

36. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

36.5 Market risk (continued)

36.5.2 Interest rate risk

Fair value interest rate risk is the risk that the fair value of financial instruments will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that future cash flows associated with financial instruments will fluctuate because of changes in market interest rates. The following financial instruments are exposed to interest rate risk: investments, borrowings, other financial liabilities and cash and cash equivalents.

36.5.2.1 Relating to the Group (excluding the Media, Broadcast and Content, and CSI disposal groups)

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Variable rate instruments		
Financial assets		
Investments classified as loans and receivables (refer note 18)	**25,600**	17,061
Cash and cash equivalents (refer note 23)	**135,330**	394,496
Financial liabilities		
Borrowings (refer note 26)	**(935,380)**	(1,000,841)
Other financial liabilities (refer note 27)	**(178,209)**	(38,580)
Bank overdrafts and other short term borrowing facilities (refer note 23)	**(272,804)**	(285,562)
	(1,225,463)	(913,426)

36.5.2.2 Media, Broadcast and Content, and CSI disposal groups

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Variable rate instruments		
Financial assets		
Non-current assets held for sale (refer note 9)		
Investments classified as loans and receivables	–	11,263
Cash and cash equivalents	–	41,633
Financial liabilities		
Non-current liabilities associated with non-current assets held for sale (refer note 9)		
Borrowings	**(7,313)**	–
Bank overdrafts and other short term borrowing facilities	–	(400,301)
	(7,313)	(347,405)

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

36. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

36.5 Market risk (continued)

36.5.2 Interest rate risk (continued)

36.5.2.2 Media, Broadcast and Content, and CSI disposal groups (continued)

Investments

Interest rate risk in respect of investments falling within the various segments is managed by the respective investee company's board. The board meets on a quarterly basis to review the entire investment portfolio and consequently monitor interest rate risk on an ongoing basis.

Borrowings

The Group adopts a policy of ensuring that its borrowings are at market-related rates. Operational management in each segment is responsible for monitoring borrowing levels and exposure to interest rate risk on an ongoing basis. The variable rates are influenced by movements in the JIBAR.

Cash and cash equivalents

Any excess cash and cash equivalents are invested with banks at short term market interest rates. Overdrafts which arise are linked to the South African Prime Rate.

36.5.2.3 Sensitivity analyses

The sensitivity analyses below is determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting year. A 1% change has been used as this is what could reasonably be expected as a change in interest rates based on historical movements in interest rates within South Africa.

A 1% decrease in the JIBAR effective from the beginning of the year, all other variables held constant, would have resulted in a increase of R12.3 million (2018: R8.8 million) in the reported profit and equity of the Group. A 1% increase in the JIBAR effective from the beginning of the year, on the same basis, would have resulted in a decrease of R12.3 million (2018: R8.8 million) in the reported profit and equity of the Group.

36.5.3 Market price risk

Market price risk, or equity price risk, is the risk of unfavourable changes in the fair values of the equities as a result of changes in the levels of equity indices and the value of individual shares. Listed and unlisted investments are susceptible to market price risk arising from the performance of the underlying companies and uncertainties about future prices in the case of listed investments. The Group was exposed to market price risk in its listed and unlisted investments. The Group has no listed nor unlisted investments at 30 June 2019.

36.6 Fair value

The fair values of financial instruments that are accounted for at amortised cost have been determined for both the current and prior years and approximate the carrying amounts at the respective period ends due to either the short term nature of the instrument or because it attracts a market related rate of interest. Information regarding the fair value of financial assets carried at fair value through profit and loss is provided in note 37.

37. FAIR VALUE OF ASSETS AND LIABILITIES

37.1 Fair value hierarchy

IFRS 13 Fair Value Measurement requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering the factors specific to the asset or liability. The following table shows financial instruments recognised at fair value, categorised between those whose fair value is based on:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

37. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

37.1 Fair value hierarchy (continued)

Recurring fair value measurement of assets and liabilities

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
As at 30 June 2019				
Assets				
Financial assets held for trading	–	–	–	–
Non-current assets and liabilities held for sale	–	1,004,730	–	1,004,730
Total	–	1,004,730	–	1,004,730
Liabilities				
Contingent consideration payable	–	(68,121)	–	(68,121)

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
As at 30 June 2018				
Assets				
Financial assets held for trading	–	–	1,112	1,112
Non-current assets and liabilities held for sale	–	–	–	–
Total	–	–	1,112	1,112
Liabilities				
Contingent consideration payable	–	(26,510)	–	(26,510)

Transfers between levels

There were no transfers between levels during the current and prior year.

37.2 Valuation techniques

37.2.1 Level 1

The Group does not have any Level 1 financial assets.

37.2.2 Level 2

Non-current assets and liabilities held for sale

The Media, Broadcast and Content and African Investments disposal groups, are classified and presented as non-current assets held for sale valued at the lower of carrying value and fair value less costs to sell at 30 June 2019 (2018: CSI disposal group) (refer note 9). Their fair values were determined with reference to the agreed upon selling prices less costs to sell.

The contingent consideration payable included in other financial liabilities relates to the acquisition of BBS and the liability raised at year end has been calculated with reference to the original sales agreement. Post year end an agreement was entered into to reduce the amount to R55.0 million (refer note 45). The purchase price adjustment is calculated as the difference between the profit before tax for the year ended 30 June 2019 and the year ended 30 June 2018, multiplied by the number of sale shares acquired, at BBS' non-controlling interest percentage holding of 49%. For the prior year, the adjustment was calculated in the same manner as the difference between the profit before tax for the year ended 30 June 2018 and the year ended 30 June 2017.

37.2.3 Level 3

Other investments

Other investments are not material and the valuation is based on the directors' valuation.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

37. FAIR VALUE OF ASSETS (continued)

37.2 Valuation techniques (continued)

37.2.3 Level 3 (continued)

Quantitative information of significant unobservable inputs – Level 3

	Fair value 2019 R'000	Fair value 2018 R'000	Valuation technique	Unobservable input
Description				
Other investment	–	1,112	#	#

Other investments are not material and the valuation is based on the directors' valuation.

Sensitivity analysis to significant changes in unobservable inputs within the Level 3 hierarchy

No sensitivity analysis was performed as the other investments are not material.

Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3.

	Other investment R'000
30 June 2019	
At the beginning of the year	**1,112**
Proceeds on disposal	**(985)**
Fair value adjustments	**(954)**
Realised fair value gains on disposal	**827**
At the end of the year	**–**

	Investment property R'000	Other investment R'000	Total R'000
30 June 2018			
At the beginning of the year	12,674	158	12,832
Fair value adjustments	36	954	990
Disposal of subsidiaries/business	(12,710)	–	(12,710)
At the end of the year	–	1,112	1,112

38. CAPITAL MANAGEMENT

Through two capital raisings the Company raised £80.0 million (£75.4 million after capital raising expenses) in 2006. In 2011, the Company raised a further R100.0 million. The capital includes share capital, share premium and all distributable and non-distributable reserves, and is managed in accordance with the Group's investment strategy.

Tiso Blackstar will be able to unlock significant value with the sale of its Media, Broadcast and Content businesses (excluding Gallo and catalogue of indigenous films) and African Investments to Lebashe for R1,050.0 million, and will focus on further unlocking value in its remaining assets, especially in KTH. This will allow management to dedicate more time and effort into developing and growing the remaining assets and unlocking value to Tiso Blackstar shareholders.

The board meets on a quarterly basis and is responsible for reviewing the capital structure of the Group. The board seeks to maintain a balance between return on capital, gearing within the Group and usage of the Group's equity capital. The key performance indicator for the Group is return on capital employed.

The Group finances its operations out of its own capital resources and utilises third-party debt funding as appropriate on a limited basis. In addition, Group companies may themselves have gearing, which is ring-fenced within the companies and is based on the levels of gearing that the companies can sustain. The board reviews the level of gearing in the Group on a regular basis.

From time to time the Company acquires its own ordinary shares in the market to hold as treasury shares. Such buy-backs depend on market prices and available cash resources and reserves. During the current year, the Company repurchased a total of 450,599 (2018: 1,995,542) Tiso Blackstar shares in the open market at an average price per share of R2.97 (2018: R4.90) and a total cost of R1.3 million (2018: R9.8 million). The Group awarded 6,110,809 (2018: 4,015,973) forfeitable shares, subject to achievement of performance conditions, under the long term Management Incentive Scheme for the year ended 30 June 2019 (refer note 43). The first tranche of 3,012,349 shares was issued in June 2017 out of treasury reserves, while the second tranche of 4,015,973 shares was a fresh share issue in November 2017, as there were no treasury shares available. Of the third tranche of 6,110,809 shares issued in October 2018, 2,664,950 shares were issued out of treasury reserves and 3,445,859 as a fresh share issue. During the current year, 716,985 (2018: 141,086) shares were forfeited under the long term Management Incentive Scheme. The forfeitable shares are not considered as issued for IFRS purposes. Refer to note 24 for further details on the movement in share capital.

The Company did not declare a dividend in light of its current gearing levels. The board envisages that post the conclusion of the Transaction, further profitable trading in the upcoming year, and the possibility of other capital inflows would result in an improved financial position and therefore allow the Company to resume dividend declarations.

The Group has contractually imposed requirements to apply surplus cash to make voluntary payments against the term facility as set out in note 26, which took effect during 2015 and has been complied with since their introduction. There have been no other changes in the capital that it manages.

38.1 Gearing ratio

The gearing ratio at the end of the reporting year was as follows:

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Debt	**(1,115,489)**	(1,174,710)
Cash and cash equivalents	**135,330**	394,496
Net debt	**(980,159)**	(780,214)
Equity	**2,333,263**	2,901,794
Net debt to equity ratio	**42,0%**	26,9%

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

39. COMMITMENTS

39.1 Operating leases

Non-cancellable operating lease rentals relating to continuing operations are payable as follows:

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Land and buildings	**(965,657)**	(1,050,387)
Less than one year	**(71,130)**	(94,443)
Due between one and five years	**(262,610)**	(462,825)
More than five years	**(631,917)**	(493,119)
Motor vehicles	**–**	(1,139)
Less than one year	**–**	(721)
Due between one and five years	**–**	(418)
More than five years	**–**	–
	(965,657)	(1,051,526)

39.2 Other

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Authorised capital expenditure		
– Already contracted but not provided for*	**(40,546)**	(50,392)
– Not yet contracted for and authorised by directors	**(12,938)**	(33,879)
	(53,484)	(84,271)

* *The capital expenditure will be partly financed by funds generated from operations and partly financed by an asset facility (medium term) loan.*

40. CONTINGENCIES AND GUARANTEES

40.1 Guarantees

Tiso Blackstar together with one of its subsidiaries has a written cession in securitatem debiti and pledge agreement with RMB and Standard Bank which operates as a security cession in respect of the facility held (refer note 26).

Tiso Blackstar provided a guarantee limited to R160.0 million to a bank for the obligations of Robor. During the current year, R50.0 million was transferred to the bank and the guarantee was reduced to R110.0 million. At 30 June 2019, the guarantee was ranked ahead of another security, however, subsequent to year end following negotiations with the bank, the guarantee was amended so that the guarantee would only be called in the event that the bank was unable to recover the debt through the realisation of the other security. Based on an independent restructuring and liquidation consultant's analysis of Robor's assets and debt as well as the Group's own assessment, the probability of the guarantee being called upon is considered to be remote and thus no value has been recorded in the consolidated financial statements in this respect.

The Company, through its wholly-owned subsidiaries Hirt & Carter Group Proprietary Limited and Hirt & Carter (South Africa) Proprietary Limited, entered into a guarantee agreement with a bank for a maximum guaranteed amount of R40.0 million (refer note 44 for further information regarding this guarantee).

On disposal of CSI, the Company was released from its guarantee of R50.0 million provided to a bank in respect of CSI's financing facilities.

During the prior year, the Group sold a 3.61% interest in KTH for R197.9 million. These sale proceeds were funded from an investment KTH held in a company. As part of this sale, RMB issued a guarantee for R225.4 million to the company which has recourse to Tiso Blackstar. Guarantee fees of R5.8 million were paid to RMB during the current year, and are included in finance costs.

40.2 Contingent liabilities and contingent assets

There are no other contingent liabilities and contingent assets to report as at 30 June 2019 (2018: nil), except for the possible Robor guarantee being called upon as detailed in note 40.1.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

41. GOING CONCERN

The board has reviewed the working capital requirements of the Group along with the Group's funding requirements, from the date of approval of the consolidated financial statements, and has concluded that the Group has adequate resources to continue into the foreseeable future as a going concern.

In coming to this conclusion, the board performed a detailed review of the Group's liquidity and solvency position at the reporting date taking into account all possible future cash flows and scenarios.

A combination of factors have led to the change in the Group's liquidity position from that previously reported in the Integrated Annual Report for the year ended 30 June 2018.

In June 2019, the Group entered into an agreement for the disposal of its South African Media, Broadcast and Content businesses (excluding Gallo and catalogue of indigenous films), its radio assets in South Africa, and its media, broadcast and content businesses in Ghana, Nigeria and Kenya, to Lebashe for R1,050.0 million.

The Transaction has had a fundamental impact on the preparation of the consolidated financial statements and an assessment of the Group going forward and its future cash flows. The disposal of TBG SA Group for R800.0 million in cash net of debt was concluded on 5 November 2019, and the board believes that at the date of this report, the disposal of Africa Radio for R200.0 million will be successfully concluded during the month of December 2019. It is anticipated that the SA Radio sale will be completed and proceeds of R50.0 million received in April 2020 once ICASA approval of the sale has been obtained. The board is confident that the outstanding conditions precedent will be successfully met within the afore-mentioned timeframes.

The board have therefore taken into consideration the impact of the Transaction in their review of cash flows to November 2020 and the Group's ability to continue as a going concern.

The Group had a cash position net of overdrafts of R137.5 million and had fully utilised the available facilities at 30 June 2019, with its total current assets of R2,350.1 million (including non-current assets held for sale of R1,491.8 million) exceeding its total current liabilities of R1,710.1 million (including non-current liabilities associated with assets held for sale of R487.1 million).

It was further reported in the current year that Tiso Blackstar could not come to reasonable sale terms for its KTH interest with other KTH shareholders, both in terms of value and an appropriate amount of cash. As a result, the board, after assessing the impact on the Group's liquidity position, determined that the most responsible approach would be to continue to hold onto the investment and ultimately to dispose of it when a price reflective of its true value can be realised. The debt outstanding relating to the KTH acquisition amounted to R98.4 million at 30 June 2019 and was settled in full on 5 November 2019 on receipt of the proceeds from the TBG SA Group sale.

Consequently in determining the cash flows to November 2020 the following key considerations were taken into account:

- the anticipated cash inflows arising on the successful conclusion of the Transaction being the proceeds of R1,050.0 million, of which the proceeds from the disposal of TBG SA Group was received on 5 November 2019;
- the trading profits and cash flow to be generated by the existing continuing businesses (which mainly comprise of Hirt & Carter Group);
- using the proceeds arising from the Transaction to settle in full the debt and bank overdrafts relating to the sold businesses as well as any costs of the Transaction (completed on 5 November 2019);
- the further utilisation of the remaining proceeds from the Transaction to fully settle the debt relating to the KTH acquisition, to reduce any bank overdrafts held by the remaining Group, and a voluntary reduction of debt held by Hirt & Carter Group to appropriate levels. TBG SA Group proceeds have already been utilised to partly achieve this objective in November 2019;
- any other anticipated capital related cash inflows;
- the cash outflows to meet the Group's ongoing obligations with regards to the existing debt and financing facilities currently in place at the end of the reporting period; and
- the cash outflows relating to the acquisition of FIL.

The forecast of the Group's cash flows (including the businesses to be sold as part of the Transaction) were also reviewed by the board. Detailed sensitivity analyses and "scenario modelling" were performed at various points in time. These calculations included: assessing the impact of a change in forecasts of cash flows from trading operations; the likelihood of the capital cash inflows and the impact of a change in timing or amount of each of these inflows; the likelihood of existing guarantees being called upon; and the availability of existing banking facilities. Given the degree of sensitivity to the timing of the cash flows, the banking covenants were also considered for all scenarios to assess the impact thereof and the possibility of any breaches arising in the next twelve months. The board concluded that it was satisfied that the Group would have adequate resources to continue into the foreseeable future as a going concern without taking into consideration the impact of the Transaction.

Based on the above factors and that the TBG SA Group sale has been completed and proceeds received, the board is not aware of any material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern for at least the next twelve months from the date of approval of the consolidated financial statements.

Notes to the consolidated financial statements continued

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42. DIRECTORS' REMUNERATION

	David Adomakoh R'000	Nkululeko Sowazi R'000	John Mills[1] R'000	Marcel Ernzer[2] R'000	Harish Mehta R'000	Andrew Bonamour[3,10] R'000	Total R'000
30 June 2019							
Non-executive directors' remuneration							
Non-executive directors' fees[4]	**815**	**727**	**730**	**315**	**736**	**–**	**3,323**
TIH consulting fee and settlement fee[5]	**1,639**	**1,639**	**–**	**–**	**–**	**–**	**3,278**
SAI consulting fee and settlement fee[6]	**4,291**	**4,291**	**–**	**–**	**–**	**–**	**8,582**
Executive director's remuneration							
Total guaranteed pay[7]	**–**	**–**	**–**	**–**	**–**	**7,006**	**7,006**
Short term incentive award based on KPIs set by the Remuneration Committee[8a]	**–**	**–**	**–**	**–**	**–**	**5,110**	**5,110**
Regulatory contributions[9]	**–**	**–**	**–**	**–**	**–**	**333**	**333**
	6,745	**6,657**	**730**	**315**	**736**	**12,449**	**27,632**
30 June 2018							
Non-executive directors' remuneration							
Non-executive directors' fees[4]	769	694	735	665	685	–	3,548
Consulting fee paid to TIH[5]	1,341	1,341	–	–	–	–	2,682
Consulting fee paid to SAI[6]	3,181	3,181	–	–	–	–	6,362
Executive director's remuneration							
Total guaranteed pay[7]	–	–	–	–	–	6,442	6,442
Short term incentive award based on KPIs set by the Remuneration Committee[8b]	–	–	–	–	–	9,538	9,538
Regulatory contributions[9]	–	–	–	–	–	349	349
	5,291	5,216	735	665	685	16,329	28,921

[1] *All director fees paid to John Mills are payable to Maitland Luxembourg S.A. ("Maitland").*

[2] *All director fees payable to Marcel Ernzer with effect from 1 July 2018 are payable to Taxirent SA Societe Anonyme. Marcel Ernzer resigned effective 28 November 2018.*

[3] *Andrew Bonamour is the chief executive officer of the wholly owned subsidiaries Tiso Blackstar SA and BHG for both the current and prior reporting periods. Fluctuations from 2018 to 2019 arise as a result of foreign exchange as his salary for his position as CEO of the Company is fixed in Pounds Sterling. There was no increase in salary from 2018 to 2019.*

[4] *Non-executive directors' remuneration fees includes fees paid for the non-executive directors services on the board and board committees and are fixed in Pounds Sterling.*

[5] *In terms of the agreement between Tiso Investment Holdings Proprietary Limited ("TIH") and Tiso Blackstar SA, consulting services are provided to Tiso Blackstar SA for assistance in origination of transactions and the ongoing management of KTH, for a fee of R223,500 excluding Value Added Tax per month. The parties agreed to terminate this agreement on 30 June 2019 in accordance with the terms as set out in the consulting agreement and a settlement fee of R595,486 excluding Value Added Tax will be paid to TIH in lieu of the cancellation. The settlement amount shall be payable: after 30 June 2019; upon or after the settlement of the KTH Acquisition Debt; and upon the Remuneration Committee of Tiso Blackstar establishing and resolving that Tiso Blackstar SA has sufficient available cash to pay the settlement amount. Tiso Blackstar Directors David Adomakoh and Nkululeko Sowazi are beneficially interested in this shareholding as each of them indirectly owns 50% of TIH.*

[6] *In terms of the agreement between SAI Holdings Limited ("SAI") and the Company, consulting services are provided to the Company for assistance in origination of transactions within the African continent for a fee of $500,000 per annum, payable in quarterly instalments 2018: $500,000). The parties agreed to terminate this agreement on 30 June 2019 in accordance with the terms as set out in the consulting agreement and a settlement fee of $111,015 will be paid to SAI In lieu of the cancellation. The settlement amount shall be payable: after 30 June 2019; upon or after the settlement of the KTH Acquisition Debt; and upon the Remuneration Committee of Tiso Blackstar establishing and resolving that the Company has sufficient available cash to pay the settlement amount. Tiso Blackstar Directors David Adomakoh and Nkululeko Sowazi are beneficially interested in this shareholding as each of them directly owns 50% of SAI.*

[7] *Includes gross remuneration and benefits paid by the Company and its subsidiaries BHG and Tiso Blackstar SA.*

[8a] *Short term incentive award – discretionary annual cash incentive bonus awarded by the Remuneration Committee based on achievement of KPIs set by the committee, in respect of performance for the financial year ended 30 June 2018, paid in the 2019 year.*

[8b] *Short term incentive award – discretionary annual cash incentive bonus awarded by the Remuneration Committee based on achievement of KPIs set by the committee, in respect of performance for the financial year ended 30 June 2017, paid in the 2018 year.*

[9] *Regulatory contributions include payments made in respect of Skills Development Levy (SDL), Unemployment Insurance Fund (UIF) and Compensation for Occupational Injuries and Diseases (COIDA) in South Africa, and National Insurance in the UK.*

[10] *As CEO of the Company and its subsidiaries BHG and Tiso Blackstar SA, Andrew Bonamour participates in the Company's long term incentive scheme, a Forfeitable Share Plan ("FSP"). During the current financial year, the Company's Remuneration committee awarded Andrew Bonamour 1,192,259 (2018: 556,480) Forfeitable Shares which may only vest to the extent that the performance and employment conditions are achieved over the performance and employment period which ends in October 2021 (2018: October 2020). Refer note 43 for further details on the FSP.*

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43. TISO BLACKSTAR LONG TERM MANAGEMENT INCENTIVE SCHEME

43.1 Forfeitable Share Plan ("FSP") of the Company

During 2017, the Company adopted a new management incentive scheme in the form of a FSP that is limited to executives, senior management and other key employees selected by the board. The amount of shares awarded is decided by the Remuneration committee each time that awards of shares are made, by taking into account the limits within the scheme rules and the particular circumstances at that time. The shares granted will be either of the following:

- Performance shares in the form of regular annual awards, the vesting of which is subject to the satisfaction of performance conditions and continued employment with the Group in line with the Group's approach to performance related incentives. The Remuneration committee sets appropriate performance conditions; or
- Retention shares are only awarded in instances where the Remuneration committee recognise key talent instrumental in delivering the Group's business strategy and vesting of which is only subject to continued employment with the Group.

As referred to in the Circular, the Transaction will result in certain amendments to the FSP, being the Company's existing long term incentive scheme. The Tiso Blackstar Remuneration committee resolved to cancel the FSP, following implementation of the TBG SA Group sale, as the Media participants, who comprise the majority of the plan's participants, are employed by the entities being disposed of in the Transaction and it would therefore be inefficient to continue a complex long term incentive scheme, such as the FSP, following their departure. The cancellation of the FSP is in accordance with the FSP Rules in that no further awards will be made, and tranches 1, 2 and 3 will vest in accordance with the amended FSP Rules. There is no change in the accounting treatment in terms of IFRS 2, as it is not a cancellation as defined in IFRS 2.

43.2 Shares awarded under the FSP

The following share based payments arrangements were in existence during the current year:

	First Tranche	Second Tranche	Third Tranche
Grant date	30 June 2017	29 November 2017	31 October 2018
Fair value of share on grant date	R9,31	R8,99	R3,10
Vesting date	31 October 2019	31 October 2020	31 October 2021
Number of shares awarded	3,012,349	4,015,973	6,110,809

	Number of forfeitable shares	
	30 June 2019	**30 June 2018**
At the beginning of the year	**6,887,236**	3,012,349
Granted during the year	**6,110,809**	4,015,973
Forfeited during the year	**(716,985)**	(141,086)
Vested during the year	**–**	–
At the end of the year	**12,281,060**	6,887,236

The fair value of the awards on grant date is calculated as the number of forfeitable shares awarded multiplied by strike price. The strike price is the Tiso Blackstar quoted share price on the date the forfeitable shares were granted.

The first tranche of 3,012,349 shares was issued in June 2017 out of treasury reserves, while the second tranche of 4,015,973 shares was a fresh share issue in November 2017, as there were no treasury shares available. Of the third tranche of 6,110,809 shares issued in October 2018, 2,664,950 shares were issued out of treasury reserves and 3,445,859 as a fresh share issue.

All forfeitable share awards will either vest or expire on the vesting date, or one month after the resignation of the executive or employee, whichever is the earlier.

43.3 Fair value of forfeitable share awards granted in the year

The weighted average fair value of the forfeitable share awards granted was R12.9 million for the first tranche, R19.6 million for the second tranche and R13.8 million for the third tranche. The estimated fair value of the equity-settled shares subject to market conditions was calculated on grant date using the Monte Carlo simulation model.

The non-market conditions used to determine the fair value on grant date was evaluated at 30 June 2019, to assess whether an adjustment was required since grant date. Based on this, the fair value was determined to be R8.2 million (2018: R11.5 million) for the first tranche, R10.9 million (2018: R21.9 million) for the second tranche and R11.5 million (2018: nil) for the third tranche at 30 June 2019, after taking into account the shares forfeited during the current year and the number of months since grant date. The IFRS 2 charge recognised in profit and loss accounted for the change in the fair value from grant date.

Notes to the consolidated financial statements continued

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43. TISO BLACKSTAR LONG TERM MANAGEMENT INCENTIVE SCHEME (continued)

43.3 Fair value of forfeitable share awards granted in the year (continued)

The estimated fair value of the shares on grant date were as follows:

	First Tranche	Second Tranche	Third Tranche
Non-market conditions:			
Number of shares granted	2,837,717	3,816,088	5,734,632
Share price at grant date	R9.31	R8.99	R3.10
Estimated vesting percentage:			
Media Participants	75.5%	64.8%	20.4%
Remaining staff	78.3%	91.4%	84.8%
Annual attrition	6.0%	7.5%	7.5%
Market conditions:			
Number of shares granted	174,632	199,884	376,177
Share price at grant date	R9.31	R8.99	R3.10
Expected volatility	35.0%	30.0%	50.0%
Expected dividend yield	0.5%	0.7%	0.8%
Risk-Free Rate	7.10%	6.55%	7.71%
Annual attrition	6.0%	7.5%	7.5%

43.4 IFRS 2 charge recognised in profit and loss

In terms of IFRS 2, the transaction is measured at the fair value of the equity instruments on grant date. The fair value takes into account what the employees are entitled to the dividends from grant date. The fair value of the equity-settled shares subject to non-market conditions is the closing share price on grant date. The estimated fair value of the equity-settled shares subject to market conditions was calculated on grant date using a Monte Carlo simulation model.

	30 June 2019 R'000	30 June 2018 R'000
FSP share based payment expense:	**26,080**	9,456
Included in operating expenses from continuing operations	**14,944**	5,373
Included in operating expenses from discontinued operations	**11,136**	4,083
Share based payment expense of subsidiary for discontinued incentive scheme exercised during the year	**–**	455
Total share based payment expense included in operating expenses	**26,080**	9,911

Notes to the consolidated financial statements continued

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44. RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company and Group, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

David Adomakoh and Nkululeko Sowazi are deemed to be related parties as, in addition to being directors, both directors are beneficially interested in TIH, as each of them indirectly owns 50.0% in TIH. TIH holds a 19.8% interest in the Company. Both of these directors have a beneficial interest in SAI as each of them owns 50.0% of SAI. As disclosed in total directors remuneration (refer note 42), total consulting fees and settlement fees owing by the Group to SAI was R8.6 million (2018: R6.4 million) and to TIH was R3.3 million (2018: R2.7 million). The settlement fees owing to SAI and TIH of R1.6 million and R0.6 million respectively outstanding at year end, were paid subsequent to year end in accordance with the terms of the settlement agreements (2018: nil).

KTH is deemed to be a related party as the company is an associate of the Group, and David Adomakoh and Nkululeko Sowazi are directors of KTH. KTH directors fees relating to these directors are paid to Tiso Blackstar SA, and total fees received during the year were R1.5 million (2018: R1.5 million).

Robor was a subsidiary of the Group for the first six months of the prior year, and any intercompany transactions during this period were eliminated on consolidation. In January 2018, the Group disposed of a 3.4% interest in Robor for an amount of R16.5 million (refer note 35) in lieu of the assignment of a loan receivable from Tricom, a company owned by a shareholder of Robor. The loan was unsecured, bore interest at the First National Bank money market rate and was repayable at the earlier of: 30 June 2020; the date on which Tricom had available cash resources to settle the loan; or the date on which Robor entered into business rescue or liquidation should this event occur. The loan, amounting to R18.3 million at 30 June 2019, was fully impaired as it was not deemed to be recoverable due to Robor being placed into liquidation (refer note 45).

In March 2019, at the request of Robor's bankers, the Group provided an equity loan of R50.0 million to Robor thereby reducing the guarantees provided to the banks for facilities provided to Robor by the same amount to R110.0 million (refer note 18). This loan was fully impaired at 30 June 2019, as it was not deemed to be recoverable due to Robor being placed into liquidation.

On disposal of a 3.4% interest in Robor, Robor became an associate of the Group. During the current year, support fees of R3.2 million (2018: R1.6 million) were paid by Robor and R2.6 million (2018: nil) were paid by CSI to Tiso Blackstar SA. For the five months to date of disposal of CSI, revenue between Robor and CSI amounted to R78,000 (2018: R0.7 million), and costs of sales amounted to R1.1 million (2018: R1.1 million).

Allied Media Distributors Proprietary Limited and Allied Publishing Proprietary Limited ("Allied") are deemed to be related parties, as the companies are associates of the Group. Publishing and distribution costs paid to Allied amounted to R71.4 million (2018: R87.1 million).

Andrew Bonamour is deemed to be a related party as, in addition to being a director, funds associated with Andrew Bonamour are invested in 5.0% (2018: 3.3%) of the issued share capital of the Company as at 30 June 2019.

Andrew Bonamour has an interest in 56 Church Street Proprietary Limited (''56 Church Street"). Tiso Blackstar SA rented office space from 56 Church Street and paid a market related rental of R28,550 (2018: R168,000) during the year. Effective 1 September 2018, the lease was cancelled and Tiso Blackstar SA no longer rents this property.

Andrew Bonamour has an interest in Main Street 505 Proprietary Limited ("Main Street"). Tiso Blackstar Real Estate Proprietary Limited disposed of a property to Main Street for R3.5 million during 2017. Hirt & Carter rents the property from Main Street and paid a market related rental of R520,680 (2018: R482,000) during the year.

Harish Mehta is deemed to be a related party as, in addition to being a director, funds associated with Harish Mehta are invested in 2.4% (2018: 2.4%) of the issued share capital of the Company as at 30 June 2019.

John Mills is deemed to be a related party as, in addition to being a director, funds associated with John Mills are invested in 0.28% (2018: 0.28%) of the issued share capital of the Company as at 30 June 2019.

John Mills is a Director of Maitland. Maitland Malta Limited (''Maitland Malta"), an entity related to Maitland, provided services to the Company in the prior year, on a commercial, arm's length basis including sub-letting of office space. Total fees paid to Maitland Malta amounted to R37,000 in the prior year.

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for the year ended 30 June 2019

44. RELATED PARTIES (continued)

On 28 June 2019, certain members of Tiso Blackstar management, ("TBG Management") established a special purpose vehicle K2018537321 (South Africa) Proprietary Limited ("SPV"), to, inter alia, acquire 9 million ordinary shares in the Company ("TBG Shares") using proceeds from a loan advanced by a bank to the SPV in the amount of R28.5 million. TBG Management includes Andrew Bonamour, a director of and a related party to the Company. The SPV acquired 3.0 million of the Tiso Blackstar Shares from Tiso Investment Holdings (RF) Proprietary Limited, an associate of David Adomakoh and Nkululeko Sowazi, who are directors of the Company, and 6.0 million of the Tiso Blackstar Shares from the Tiso Foundation Charitable Trust ("Trust"). Whilst the Trust is not an associate of David Adomakoh and Nkululeko Sowazi, they have been appointed as two out of the seven trustees of the Trust. As security for the loan, the SPV ceded and pledged in security the shares held by it in the Company to and in favour of the bank ("SPV Security") and TBG Management ceded and pledged in security the shares held by each of them through separate entities owned by each of them, in the SPV and in the Company, to and in favour of the bank. In addition to the SPV Security and the TBG Management Security, the Company, through its wholly-owned subsidiaries Hirt & Carter Group Proprietary Limited ("H&C Group") and Hirt & Carter (South Africa) Proprietary Limited ("H&C") (together, the ("Guarantors"), entered into a guarantee agreement ("Agreement") with the bank.

In terms of the Agreement, each Guarantor irrevocably and unconditionally (and jointly and severally) guarantees as a separate, principal and independent obligation to and in favour of the bank ("TBG Guarantee") the payment and performance of the obligations of TBG Management and the SPV arising in connection with the Loan, for a maximum guaranteed amount of R40.0 million. The granting of the TBG Guarantee will result in key management significantly increasing their interest in Tiso Blackstar, which is beneficial for Tiso Blackstar as it not only ensures retention of key management but it also aligns management's interest with those of shareholders. As detailed in note 45, the FSP has been cancelled and therefore no long term incentive scheme will be in place. As a result of the cancellation of the FSP, key management will no longer be awarded Tiso Blackstar shares. However, the Remuneration committee note that as a result of this transaction, TBG Management, who are considered to be key to the Group, will have an increased interest as shareholders of Tiso Blackstar, thereby addressing the objective of aligning their interest with shareholders.

As consideration for providing the TBG Guarantee, the SPV paid the Guarantors a fee of R54,000 being the fair value of the TBG Guarantee as confirmed through an actuarial assessment performed by an independent party to Tiso Blackstar. The SPV will also counter-indemnify the Guarantors against any claims by Standard Bank against the Guarantors under the TBG Guarantee. Upon the Guarantors becoming liable to pay Standard Bank any amount under the TBG Guarantee, the Guarantors shall notify the SPV in writing thereof and demand payment of the amount claimed by Standard Bank under the TBG Guarantee ("Notice"). Upon receipt by the SPV of the Notice, the SPV shall become liable to pay the Guarantors the same amount claimed by Standard Bank under the TBG Guarantee, together with interest incurred thereon.

Argus Voting Trust (''Argus") is deemed to be a related party to BHG and the Company. No contributions were received from Argus during the current and prior year.

The Blackstar Foundation is deemed to be a related party as the trustees are also directors of a subsidiary within the Group. During the current year, R550,000 was donated by the Group to the Blackstar Foundation. There were no donations in the prior year.

Details of Directors' remuneration are provided in note 42.

45. SUBSEQUENT EVENTS

As detailed in note 9, the Group signed agreements to dispose of certain of its Media, Broadcast and Content businesses (TBG SA Group and SA Radio) and its African Investments (Africa Radio) to Lebashe for R1,050.0 million. A circular to shareholders detailing the Transaction and convening an Extraordinary General Meeting of the Company's shareholders on 23 October 2019 was distributed on 20 September 2019. The resolutions within the Circular were approved at the Extraordinary General Meeting of the Company's shareholders.

The disposal of TBG SA Group for R800.0 million in cash net of debt and other certain adjustments was concluded on 5 November 2019, and the board believes that at the date of this report, the disposal of Africa Radio for R200.0 million will be successfully concluded during the month of December 2019. It is anticipated that the SA Radio sale will be completed and proceeds of R50.0 million received in April 2020 once ICASA approval of the sale has been obtained.

As referred to in the Circular, the Transaction has resulted in certain amendments to the FSP, being the Company's existing long term incentive scheme. This includes the Remuneration Committee's decision to cancel the FSP following the disposal of TBG SA Group, in that no further FSP awards will be issued; an extension of the vesting date of the FSP awards under the FSP Rules for staff who remain as part of the Tiso Blackstar Group; and a cash bonus being awarded by the Remuneration Committee to the staff employed by the businesses being disposed of ("Media Participants") to compensate them for the early exit of the FSP and to ensure retention of key staff.

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for the year ended 30 June 2019

45. SUBSEQUENT EVENTS (continued)

The early vesting of the applicable awards to the Media Participants is expected to reduce the number of shares that would have vested in favour of Media Participants had it not been for the Transaction. In order to compensate Media Participants for this, and to ensure that Media Participants are retained by the Tiso Blackstar Group until the Transaction is implemented, the Tiso Blackstar Remuneration Committee has determined that a cash bonus be awarded to Media Participants, subject to the successful implementation of the Transaction. Should journalists, editors and other key media staff resign prior to implementation of the Transaction, this could have a serious impact on its successful implementation. The award of such cash bonus is in the discretion of the Tiso Blackstar Remuneration Committee and is anticipated to amount, in aggregate, to approximately R26.1 million ("Cash Bonus"). This amount is calculated with reference to the number of unvested shares under existing awards that would potentially have vested in future, but for the Media Participants ceasing to be employed by the Group due to the Transaction, at a value of R3.72 per share, plus an additional bonus amount.

As detailed in the Circular, in order to provide Media Participants with an opportunity to dispose of the FSP shares that will vest as a result of the above at a fixed market-related price, it is proposed that Media Participants wishing to do so, be allowed to sell their vested FSP shares to the Company under a specific repurchase ("Specific Repurchase"). The Specific Repurchase would involve the repurchase by the Company of the vested FSP shares, numbering a maximum of up to 2.9 million shares. The Specific Repurchase would be funded from the proceeds of the sale of TBG SA Group and Africa Radio, at a price of R3.72 per share, being equal to the volume weighted average price of Tiso Blackstar shares traded on the JSE over the 30 trading days up 31 July 2019.

Under the UK Companies Act, Tiso Blackstar will be required to effect the Specific Repurchase from its distributable reserves. In order to increase the Company's distributable reserves so as to enable the Specific Repurchase to occur, it will be necessary to reduce the Company's share premium account by way of a Capital Reduction, so that it can be converted to distributable reserves for the Specific Repurchase. Such a Capital Reduction requires the approval of shareholders by way of a special resolution, as well as court approval under the UK Companies Act. The Capital Reduction is in progress and will be finalised before the end of the financial year.

Post year end, management has entered into an agreement whereby the contingent consideration due to the previous shareholders of BBS will be reduced by R13.0 million to R55.0 million payable in three tranches: R32.5 million due October 2019; R12.5 million due July 2020, and R10.0 million due July 2021. This reduction, is conditional on the profit before taxation per the 30 June 2019 audited financial statements of BBS equalling or exceeding the entities management accounts.

Robor

In March 2019, progress on the disposal plan for the Group's 47.6% interest in Robor was continuing, however, this was dependent on Robor's merger with Macsteel. The merger did not close as Tiso Blackstar had hoped and was originally envisaged, however, it was believed that the closure of two of South Africa's largest steel tube and pipe manufacturing plants would increase volumes through Robor's plant and improve profitability.

Unfortunately the decline of the South African economy and other economic factors, caused systemic harm to both production and revenue generation in South Africa's steel tube and pipe manufacturing sector.

In response to this, Robor undertook significant restructuring and cost-cutting initiatives during the course of the 2019, aimed at mitigating declining revenues and tonnage throughput. These initiatives were wholly supported by Robor's principle credit providers amidst an increasingly challenging lending environment. As part of this restructuring, Robor negotiated and concluded agreements aimed at ensuring a continuation of existing banking and trade credit insurance facilities and improved supply of coil and other raw materials. The credit facilities which Robor relied on, were dependent on Robor maintaining critical levels of stock, which, despite numerous meetings with suppliers and trade credit insurers, Robor was unable to do.

In addition, the Company explored numerous avenues to raise additional capital for Robor including selling Robor as a going concern, merging with a competitor and a possible break-up and sale of individual Robor group companies. Tiso Blackstar and its shareholders were unable to commit any further capital or support to Robor beyond Tiso Blackstar's current exposure, and the fact that Robor is a non-core asset.

Due to the abovementioned issues, Robor was unable to continue as a going concern in the foreseeable future, and Robor's directors and shareholders unanimously passed resolutions for the winding-up of the company. The liquidation was effective in September 2019.

The events subsequent to 30 June 2019 provided evidence of conditions that existed at the reporting date and accordingly, the Group has fully impaired its investment in and related loan to Robor as the Company believes any subsequent recovery of such investment is unlikely. Refer note 9 of the consolidated financial statements.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

46. SEGMENTAL INFORMATION

The Group has identified its operating segments based on their nature. At 30 June 2019 certain operating segments included both continuing and discontinued operations, details of which are also provided below:

Media: distribution of knowledge and content via print, online assets and other platforms. Continuing operations include Booksite and STS up to date of sale, and discontinued operations include the remainder of the segment which is to be disposed of.

Hirt & Carter Group: activities on retail advertising production systems and related database management and development, and retail print via Hirt & Carter, First Impression Labels and Uniprint. Hirt & Carter Group is a continuing operation.

Broadcast and Content: television and radio platforms, radio assets, Empire Entertainment (the leading all-rights distributor of local and international films business), all of which are discontinued operations to be disposed of. The music business Gallo and catalogue of indigenous films are continuing operations.

Africa (excluding South Africa): interests in the associates Radio Africa Kenya, Multimedia Ghana and Coopers Nigeria (all which are equity accounted and the share of profits from these interests are therefore not shown in the tables below). This entire segment is to be disposed of and is therefore a discontinued operation.

Other: other consolidated Group companies, including head office, holding companies, the investment advisor, investments that are not deemed to be material to the Group (including the property subsidiary) as well as consolidation adjustments and eliminations which cannot be allocated to a specific segment.

CSI (100% interest, discontinued operation sold effective 30 November 2018): includes Stalcor a processor, distributor and stockist of carbon steel, stainless steel and aluminium in the form of high quality sheet, plate and coil as well as structural and other long product profiles, and GRS a steel roofing and cladding company;

Robor (47.6% interest): a manufacturer and supplier of welded steel tube and pipe, and cold formed steel profiles;

KTH (20.01% interest): an investment holding company established in July 2011. Its investments include market leaders in key sectors such as media, resources, infrastructure, power and financial services, and comprise a mix of listed and private investments. Its major investments are Kagiso Media, MMI and Servest.

Both Robor and KTH are equity accounted as associates and included in continuing operations.

The Chief Operating Decision Maker utilises Trading Performance, as defined, in the assessment of a segment's performance and allocation of resources. Tiso Blackstar's Trading Performance is calculated from profit before interest and tax after adding back depreciation, amortisation, straight lining of leases, share-based payment expenses and other (losses)/gains. It therefore excludes items outside of the ordinary day-to-day activities.

Group consolidation adjustments and line items which can directly be attributed to a specific trading segment, have been re-allocated from Other to the specific segment, in order to assist the Chief Operating Decision Maker in assessing the individual segment's performance. Comparative figures have been updated for this adjustment.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

46. SEGMENTAL INFORMATION (continued)

46.1 Revenue for the year^

	Audited Year ended 30 June 2019 R'000	Restated* Audited Year ended 30 June 2018 R'000
Revenue from continuing operations	**2,362,296**	3,059,575
– Hirt & Carter Group	**2,246,359**	1,911,113
– Media	**69,337**	101,503
– Broadcast and Content	**41,650**	39,397
– Robor	**–**	1,002,715
– Other	**4,950**	4,847
Revenue from discontinued operations	**2,917,404**	4,269,590
– Media	**1,313,453**	1,421,448
– Broadcast and Content	**331,870**	335,526
– CSI	**1,272,012**	2,510,068
– Other	**69**	2,548
Total revenue for the year	**5,279,700**	7,329,165

^ *Revenue is disclosed net of inter-segmental revenue.*
* *Refer note 1.3.1.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

46. SEGMENTAL INFORMATION (continued)

46.2 Geographical information

The Group's revenue from continuing operations from external customers by location of operations is detailed below.

	Audited Year ended 30 June 2019 R'000	Restated* Audited Year ended 30 June 2018 R'000
South Africa	**2,305,912**	3,011,514
Rest of Africa	**54,898**	26,638
South America	**–**	15,134
Europe	**1,478**	6,102
Asia	**–**	61
Australia	**8**	126
Total revenue by geographic location	**2,362,296**	3,059,575

* *Refer note 1.3.1.*

46.3 Trading Performance reconciliation to loss before taxation – continuing operations^^

	Audited Year ended 30 June 2019 R'000	Restated* Audited Year ended 30 June 2018 R'000
Trading Performance (Core EBITDA) from continuing operations		
– Hirt & Carter Group	**285,967**	295,331
– Media	**3,616**	10,120
– Broadcast and Content	**2,867**	14,782
– Robor	**–**	(7,441)
– Other	**(87,757)**	(103,862)
Trading performance	**204,693**	208,930
Depreciation and amortisation	**(123,277)**	(104,103)
Share-based payment expense	**(14,945)**	(5,828)
Straight-lining of leases	**(12,234)**	(6,856)
Other (losses)/gains	**(187,291)**	(12,048)
Net profit	**(133,054)**	80,095
Finance income	**4,464**	4,569
Finance costs	**(150,577)**	(176,328)
Share of (loss)/profit of associates – equity accounted	**(150,689)**	159,570
Impairment reversal/(loss) of investment in associates – equity accounted	**3,917**	(265,603)
Loss before taxation	**(425,939)**	(197,697)

^^ The Chief Operating Decision Maker utilises Trading Performance (as defined) in the assessment of a segment's performance.

* *Refer note 1.3.1.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

46. SEGMENTAL INFORMATION (continued)

46.4 Trading Performance reconciliation to loss before taxation – discontinued operations^^

	Audited Year ended 30 June 2019 R'000	Restated* Audited Year ended 30 June 2018 R'000
Trading Performance from discontinued operations		
– Media	**93,627**	116,821
– Broadcast and Content	**49,757**	25,393
– CSI	**46,815**	(6,396)
– Other	**20,877**	58,926
Trading Performance	**211,076**	194,744
Depreciation and amortisation	**(61,925)**	(90,742)
Share-based payment expense	**(11,136)**	(4,083)
Straight lining of leases	**(6,467)**	(133)
Other (losses)/gains	**(256,021)**	(179,510)
Net profit	**(124,473)**	(79,724)
Finance income	**1,087**	2,853
Finance costs	**(22,532)**	(51,747)
Share of profit of associates – equity accounted	**13,887**	12,823
Impairment gain/(loss) of investment in associates – equity accounted	**146**	(4,351)
Loss before taxation	**(131,885)**	(120,146)

^^The Chief Operating Decision Maker utilises Trading Performance (as defined) in the assessment of a segment's performance.
* *Refer note 1.3.1.*

46.5 Trading Performance from operations

	Audited Year ended 30 June 2019 R'000	Restated* Audited Year ended 30 June 2018 R'000
Trading Performance from continuing operations	**204,693**	208,930
Trading Performance from discontinued operations	**211,076**	194,744
Total	**415,769**	403,674

* *Refer note 1.3.1.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

46. SEGMENTAL INFORMATION (continued)

46.6 Revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services, over time and at a point in time, from the following major revenue streams. This is consistent with the revenue information that is disclosed for each reportable segment.

Disaggregation of revenue from continuing operations by major category:

	Broadcast and Content R'000	Hirt & Carter Group R'000	Media R'000	Robor R'000	CSI R'000	Other R'000	Total R'000
30 June 2019							
Design	–	96,033	–	–	–	–	96,033
Printing	–	2,086,508	–	–	–	–	2,086,508
Storage/warehousing	–	8,179	–	–	–	–	8,179
Software solutions	–	12,804	–	–	–	–	12,804
Digital marketing solutions	–	11,812	–	–	–	–	11,812
Imaging & photography	–	4,627	–	–	–	–	4,627
Digital asset management	–	26,396	–	–	–	–	26,396
Distribution income from the sale of published material	–	–	67,258	–	–	–	67,258
Film distribution	4,190	–	–	–	–	–	4,190
Music sales	15,357	–	–	–	–	–	15,357
Royalty income	22,103	–	–	–	–	–	22,103
Other	–	–	–	–	–	4,950	4,950
Sold and discontinued during the year	–	–	2,079	–	–	–	2,079
Total	41,650	2,246,359	69,337	–	–	4,950	2,362,296

Disaggregation of revenue from discontinued operations by major category:

	Broadcast and Content R'000	Hirt & Carter Group R'000	Media R'000	Robor R'000	CSI R'000	Other R'000	Total R'000
30 June 2019							
ACSA site revenue	7,903	–	–	–	–	–	7,903
Advertising	80,058	–	925,023	–	–	–	1,005,081
Circulation	–	–	326,882	–	–	–	326,882
Distribution income from content sales	152,610	–	25,749	–	–	–	178,359
Eventing	–	–	35,799	–	–	–	35,799
Production	87,766	–	–	–	–	–	87,766
Royalty income	3,056	–	–	–	–	–	3,056
Sale of goods	477	–	–	–	–	69	546
Steel tubes, pipes, bulk coil, pipe systems, value adding, cold formed open sections, structural sections and plates	–	–	–	–	1,272,012	–	1,272,012
Total	331,870	–	1,313,453	–	1,272,012	69	2,917,404

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

46. SEGMENTAL INFORMATION (continued)

46.6 Revenue (continued)

Disaggregation of revenue from continuing operations by major category:

	Broadcast and Content R'000	Hirt & Carter Group R'000	Media R'000	Robor R'000	CSI R'000	Other R'000	Total R'000
30 June 2018							
Design	–	87,476	–	–	–	–	87,476
Printing	–	1,769,757	–	–	–	–	1,769,757
Storage/warehousing	–	8,286	–	–	–	–	8,286
Software solutions	–	12,223	–	–	–	–	12,223
Digital marketing solutions	–	13,690	–	–	–	–	13,690
Imaging & photography	–	2,687	–	–	–	–	2,687
Digital asset management	–	16,994	–	–	–	–	16,994
Distribution income from the sale of published material	–	–	65,583	–	–	–	65,583
Film distribution	3,286	–	–	–	–	–	3,286
Music sales	13,596	–	–	–	–	–	13,596
Royalty income	21,626	–	–	–	–	–	21,626
Other	–	–	–	–	–	3,359	3,359
Sold and discontinued during the year	889	–	35,920	1,002,715	–	1,488	1,041,012
	39,397	1,911,113	101,503	1,002,715	–	4,847	3,059,575

Disaggregation of revenue from discontinued operations by major category:

	Broadcast and Content R'000	Hirt & Carter Group R'000	Media R'000	Robor R'000	CSI R'000	Other R'000	Total R'000
30 June 2018							
ACSA site revenue	11,047	–	–	–	–	–	11,047
Advertising	80,686	–	1,012,239	–	–	–	1,092,925
Circulation	–	–	356,195	–	–	–	356,195
Distribution income from content sales	149,214	–	21,990	–	–	–	171,204
Eventing	–	–	31,024	–	–	–	31,024
Production	85,905	–	–	–	–	2,393	88,298
Royalty income	3,977	–	–	–	–	–	3,977
Sale of goods	4,697	–	–	–	–	155	4,852
Steel tubes, pipes, bulk coil, pipe systems, value adding, cold formed open sections, structural sections and plates	–	–	–	–	2,510,068	–	2,510,068
Total	335,526	–	1,421,448	–	2,510,068	2,548	4,269,590

46.7 Major customers

When considering the total revenue derived by the Group from continued and discontinued operations, no one customer exceeds more than 10% of the total Group revenue.

46.8 Accounting policies

The accounting policies of the reportable segments are the same as the Group's accounting policies disclosed in note 1.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

47. CONSOLIDATED SUBSIDIARIES OF THE GROUP

Note 22 makes reference to the principal subsidiaries of the Company. All shareholdings consist of interests in the ordinary shares of the subsidiary. Below is a list of all the underlying subsidiaries within the Group:

Summary of consolidated subsidiaries	Principal place of business/Registered Address	Principal activity	Direct parent company	Proportion of ownership rights 30 June 2019	30 June 2018
Compact Disc Technologies Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	At Velocity Logistics Proprietary Limited	**100.00%**	100.00%
Gallo Investment Holdings Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	At Velocity Logistics Proprietary Limited	**100.00%**	100.00%
Gallo Investment Services Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	At Velocity Logistics Proprietary Limited	**100.00%**	100.00%
Moviecom Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	At Velocity Logistics Proprietary Limited	**100.00%**	100.00%
Big News For Small Business Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	BDFM Publishers Proprietary Limited	**100.00%**	100.00%
Blackstar TV Proprietary Limited (previously One Africa Television Proprietary Limited)	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Television production	BDFM Publishers Proprietary Limited	**100.00%**	100.00%
Tiso Blackstar Group Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Media, broadcast and content and retail solutions	Blackstar Holdings Group Proprietary Limited	**100.00%**	100.00%
BlackstarTiso Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Investment holding	Blackstar Holdings Group Proprietary Limited	**100.00%**	100.00%
Advowson Investments Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	BlackstarTiso Proprietary Limited	**100.00%**	100.00%
At Velocity Logistics Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	BlackstarTiso Proprietary Limited	**100.00%**	100.00%
Avusa Africa Mediatainment Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	BlackstarTiso Proprietary Limited	**100.00%**	100.00%
Avusa Management Services Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	BlackstarTiso Proprietary Limited	**100.00%**	100.00%
Hirt & Carter Group Proprietary Limited	22 Tottum Road, Ottawa South, Durban, 4439, South Africa	Investment holding	BlackstarTiso Proprietary Limited	**100.00%**	100.00%

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

47. CONSOLIDATED SUBSIDIARIES OF THE GROUP (continued)

Summary of consolidated subsidiaries	Principal place of business/Registered Address	Principal activity	Direct parent company	Proportion of ownership rights 30 June 2019	Proportion of ownership rights 30 June 2018
New Holland Publishing Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Book distribution	BlackstarTiso Proprietary Limited	100.00%	100.00%
TB Retail Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	BlackstarTiso Proprietary Limited	100.00%	100.00%
TBG Entertainment Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	BlackstarTiso Proprietary Limited	100.00%	100.00%
TBG Media Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Investment holding	BlackstarTiso Proprietary Limited	100.00%	100.00%
Universal Print Group Proprietary Limited	59 Intersite Avenue, Umgeni Business Park, Durban, 4001, South Africa	Dormant	BlackstarTiso Proprietary Limited	100.00%	100.00%
Country Roofing Proprietary Limited[3]	61 Bismark Street, Windhoek, Namibia	Investment property company	Consolidated Steel Industries Proprietary Limited	0.00%	100.00%
Global Roofing Solutions Proprietary Limited[3]	Cnr Barlow and Quality Road, Isando, Kempton Park, 1600, South Africa	Steel roofing and cladding company	Consolidated Steel Industries Proprietary Limited	0.00%	100.00%
Global Roofing Solutions Zambia Limited[3]	Shop Area A, Karibu Business Park, Kitwe Ndola Dual Carriage Way, Kitw, Copperbelt Province, Zambia	Steel roofing and cladding company	Consolidated Steel Industries Proprietary Limited	0.00%	100.00%
GRS Botswana Proprietary Limited[3]	Plot 113, Unit 28 Kgale Mews, Gaborone International Finance Park, Gaborone Botswana	Steel roofing and cladding company	Consolidated Steel Industries Proprietary Limited	0.00%	70.00%
GRS Mozambique Limited[3]	Maputo Cidade, Distrito Urbano 1, Bairro Central, Av 25 de Setembro, Mozambique	Steel roofing and cladding company	Consolidated Steel Industries Proprietary Limited	0.00%	95.00%
Helm Engineering Proprietary Limited	Cnr Barlow and Quality Road, Isando, Kempton Park, 1600, South Africa	Dormant	Consolidated Steel Industries Proprietary Limited	0.00%	100.00%
Tepzmurt Proprietary Limited[3]	Plot 2644 Phuti Crescent, Extension 9, Gaborone, Botswana	Steel trading company	Consolidated Steel Industries Proprietary Limited	0.00%	51.00%
GRS Express Proprietary Limited[3]	Room B11, Mountain Estates, Lesotho	Steel roofing and cladding company	Consolidated Steel Industries Proprietary Limited	0.00%	100%
Capacity Holdings Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	Hirt & Carter (South Africa) Proprietary Limited	100.00%	100.00%

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

47. CONSOLIDATED SUBSIDIARIES OF THE GROUP (continued)

Summary of consolidated subsidiaries	Principal place of business/Registered Address	Principal activity	Direct parent company	Proportion of ownership rights 30 June 2019	Proportion of ownership rights 30 June 2018
FMCG Direct Proprietary Limited[2]	22 Tottum Road, Ottawa South, Durban, 4439, South Africa	Dormant	Hirt & Carter (South Africa) Proprietary Limited	**0.00%**	100.00%
SA Functions and Events Proprietary Limited[2]	22 Tottum Road, Ottawa South, Durban, 4439, South Africa	Dormant	Hirt & Carter (South Africa) Proprietary Limited	**0.00%**	100.00%
Copperfields Studios Proprietary Limited (previously Omnigraphics Express Proprietary Limited)	22 Tottum Road, Ottawa South, Durban, 4439, South Africa	Advertisng agency	Hirt & Carter Group Proprietary Limited	**51.00%**	51.00%
First Impressions Labels Proprietary Limited	22 Tottum Road, Ottawa South, Durban, 4439, South Africa	Dormant	Hirt & Carter Group Proprietary Limited	**100.00%**	0.00%
185C Solutions Proprietary Limited	22 Tottum Road, Ottawa South, Durban, 4439, South Africa	Retail Solutions	Hirt & Carter Proprietary Limited	**100.00%**	100.00%
Bates Printing Proprietary Limited	22 Tottum Road, Ottawa South, Durban, 4439, South Africa	Dormant	Hirt & Carter Proprietary Limited	**100.00%**	100.00%
Bothma Branding Solutions Proprietary Limited	90 Escom Road, New Germany, Durban, 3608, South Africa	Printing	Hirt & Carter Proprietary Limited	**51.00%**	51.00%
Hirt & Carter (Cape) Proprietary Limited	22 Tottum Road, Ottawa South, Durban, 4439, South Africa	Dormant	Hirt & Carter Proprietary Limited	**100.00%**	100.00%
Hirt & Carter (South Africa) Proprietary Limited	22 Tottum Road, Ottawa South, Durban, 4439, South Africa	Printing	Hirt & Carter Proprietary Limited	**100.00%**	100.00%
Paton Tupper Proprietary Limited	22 Tottum Road, Ottawa South, Durban, 4439, South Africa	Advertising agency	Hirt & Carter Proprietary Limited	**51.80%**	51.80%
Quickcut Pre Press Network SA Proprietary Limited	22 Tottum Road, Ottawa South, Durban, 4439, South Africa	Retail solutions	Hirt & Carter Proprietary Limited	**100.00%**	100.00%
Sku Proprietary Limited	22 Tottum Road, Ottawa South, Durban, 4439, South Africa	Dormant	Hirt & Carter Proprietary Limited	**100.00%**	100.00%
Universal Web Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	Hirt & Carter Proprietary Limited	**100.00%**	0.00%

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

47. CONSOLIDATED SUBSIDIARIES OF THE GROUP (continued)

Summary of consolidated subsidiaries	Principal place of business/Registered Address	Principal activity	Direct parent company	Proportion of ownership rights 30 June 2019	Proportion of ownership rights 30 June 2018
New Holland Publishers (UK) Limited	Unit 704, The Chandlery, 50 Westminster Bridge Road, London, SE1 7QY, UK	Dormant	Macquarie Corporation SA Limited	**100.00%**	100.00%
Booksite Proprietary Limited (previously New Holland Publishing (South Africa) Proprietary Limited)	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Book distribution	New Holland Publishing Proprietary Limited	**85.00%**	85.00%
Macquarie Corporation SA Limited	Palm Grove House, Road Town, Tortola, British Virgin Islands	Investment holding	New Holland Publishing Proprietary Limited	**100.00%**	100.00%
Nu Metro Distribution Proprietary Limited[2]	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	Nu Metro Entertainment Proprietary Limited	**0.00%**	100.00%
Nu Metro Home Entertainment Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	Nu Metro Entertainment Proprietary Limited	**100.00%**	100.00%
Nu Metro Sell Thru Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	Nu Metro Entertainment Proprietary Limited	**100.00%**	100.00%
Entertainment and Leisure Marketing Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	Nu Metro Filmed Entertainment Proprietary Limited	**100.00%**	100.00%
Nu Metro Blackroom Movie Services Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	Nu Metro Filmed Entertainment Proprietary Limited	**100.00%**	100.00%
Nu Metro Entertainment Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	Nu Metro Filmed Entertainment Proprietary Limited	**100.00%**	100.00%
Radio and Household Appliances Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	Nu Metro Filmed Entertainment Proprietary Limited	**100.00%**	100.00%
Material 2 Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Productions	Ochre Media Proprietary Limited	**100.00%**	100.00%
The Effect Media Company Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Productions	Ochre Media Proprietary Limited	**100.00%**	100.00%
IAT 2018 Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Productions	Orche Media Proprietary Limited	**100.00%**	0.00%

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

47. CONSOLIDATED SUBSIDIARIES OF THE GROUP (continued)

Summary of consolidated subsidiaries	Principal place of business/Registered Address	Principal activity	Direct parent company	Proportion of ownership rights 30 June 2019	30 June 2018
Hirt & Carter Software Solutions Proprietary Limited	22 Tottum Road, Ottawa South, Durban, 4439, South Africa	Software solutions	Quickcut Pre Press Network SA Proprietary Limited	**100.00%**	100.00%
Hive Connect Proprietary Limited	22 Tottum Road, Ottawa South, Durban, 4439, South Africa	Dormant	Quickcut Pre Press Network SA Proprietary Limited	**100.00%**	100.00%
Nu Metro Filmed Entertainment Proprietary Limited[2]	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	TBG Entertainment Proprietary Limited	**0.00%**	100.00%
Mega International Limited (Guernsey)	La Plaiderie House, St. Peter Port, Guernsey	Dormant	TBG Entertainment Proprietary Limited	**100.00%**	100.00%
PA Gallo Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	TBG Entertainment Proprietary Limited	**100.00%**	100.00%
Times Media Books Legacy Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	TBG Entertainment Proprietary Limited	**100.00%**	100.00%
TBG Publishing Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Investment holding	TBG Media Investments Proprietary Limited	**100.00%**	100.00%
Airport Media Proprietary Limited	Rochester Place, 1st Floor, 173 Rivonia Road, Morningside, 2193 South Africa	Dormant	TBG Media Proprietary Limited	**100.00%**	100.00%
Avusa Coastal Distribution Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	TBG Media Proprietary Limited	**100.00%**	100.00%
Collage Litho Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	TBG Media Proprietary Limited	**100.00%**	100.00%
Happy Machine Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	TBG Media Proprietary Limited	**100.00%**	100.00%
Learning Channel Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Educational material production and sales	TBG Media Proprietary Limited	**100.00%**	100.00%
Ochre Media Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Film production	TBG Media Proprietary Limited	**100.00%**	100.00%
Picasso Headline Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Publishing	TBG Media Proprietary Limited	**100.00%**	100.00%

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

47. CONSOLIDATED SUBSIDIARIES OF THE GROUP (continued)

Summary of consolidated subsidiaries	Principal place of business/Registered Address	Principal activity	Direct parent company	Proportion of ownership rights 30 June 2019	Proportion of ownership rights 30 June 2018
TBG Media Investments Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Investment holding	TBG Media Proprietary Limited	**100.00%**	100.00%
Avusa Publishing Eastern Cape Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	TBG Publishing Proprietary Limited	**100.00%**	100.00%
BDFM Publishers Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	TBG Publishing Proprietary Limited	**100.00%**	100.00%
Dispatch Media Proprietary Limited[2]	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	TBG Publishing Proprietary Limited	**0.00%**	100.00%
Library Network Proprietary Limited[2]	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	TBG Publishing Proprietary Limited	**0.00%**	100.00%
New Africa Publications Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Dormant	TBG Publishing Proprietary Limited	**100.00%**	100.00%
Blackstar Property Publishing Proprietary Limited	The Old Castle Brewery Building, G04, 6 Beach Road, Woodstock, Western Cape, 7925, South Africa	Property publishing	Tiso Blackstar Group Proprietary Limited	**50.83%**	50.83%
Colosan Trading Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Investment holding	Tiso Blackstar Group Proprietary Limited	**100.00%**	100.00%
Gallo Music Investments Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Investment holding	Tiso Blackstar Group Proprietary Limited	**100.00%**	0.00%
Indigenous Film Distribution Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Film distribution	Tiso Blackstar Group Proprietary Limited	**100.00%**	100.00%
Rise Broadcast Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Radio station	Tiso Blackstar Group Proprietary Limited	**100.00%**	100.00%
Smartcall Technology Solutions Proprietary Limited[3]	65 5th Avenue, Highlands North, Gauteng, 2192, South Africa	Mobile technology solutions	Tiso Blackstar Group Proprietary Limited	**0.00%**	50.00%
Triumph Printing and Packaging Proprietary Limited	40 Stapleton Road, Pinetown, Kwa-Zulu Natal, 3610	Packaging	Tiso Blackstar Group Proprietary Limited	**100.00%**	100.00%
Vuma 103 FM Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Radio station	Tiso Blackstar Group Proprietary Limited	**100.00%**	100.00%

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

47. CONSOLIDATED SUBSIDIARIES OF THE GROUP (continued)

Summary of consolidated subsidiaries	Principal place of business/Registered Address	Principal activity	Direct parent company	Proportion of ownership rights 30 June 2019	30 June 2018
Tiso Blackstar Holdings SE	Berkeley Square House, Berkeley Square, Mayfair, London, W1J 6BD, United Kingdom	Investment holding	Tiso Blackstar Group SE	100.00%	100.00%
Tiso Blackstar Limited	Berkeley Square House, Berkeley Square, Mayfair, London, W1J 6BD, United Kingdom	Administrative centre	Tiso Blackstar Group SE	100.00%	100.00%
Tiso Blackstar SA Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Investment advisory	Tiso Blackstar Group SE	100.00%	100.00%
Blackstar Holdings Group Proprietary Limited	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Investment holding company	Tiso Blackstar Holdings SE	100.00%	100.00%
Consolidated Steel Industries Proprietary Limited	Cnr Barlow and Quality Road, Isando, Kempton Park, 1600, South Africa	Industrial steel company	Tiso Blackstar Holdings SE	0.00%	100.00%
Mvelaphanda Treasury and Financial Services Proprietary Limited[1]	4 Biermann Avenue, Rosebank, Gauteng, 2196, South Africa	Treasury and financial services company	Tiso Blackstar Holdings SE	0.00%	100.00%
Tiso Blackstar Real Estate Proprietary Limited[2]	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Investment property company	Tiso Blackstar Holdings SE	0.00%	100.00%
Firefly Investments 223 Proprietary Limited[2]	Hill on Empire, 16 Empire Road, Parktown, 2193, South Africa	Investment property company	Tiso Blackstar Real Estate Proprietary Limited	0.00%	70.00%
Universal Web Proprietary Limited	59 Intersite Avenue, Umgeni Business Park, Durban, 4001, South Africa	Dormant	Universal Print Group Proprietary Limited	100.00%	100.00%

1 *Mvelaphanda Treasury was liquidated during the year.*
2 *These companies were deregistered during the current year.*
3 *The company was sold during the year.*

Company statements of profit and loss and other comprehensive income

for the year ended 30 June 2019

	Notes	Audited Year ended 30 June 2019 R'000	Audited Year ended 30 June 2018 R'000
Revenue		**2,614**	1,114
Net loss	3	**(33,866)**	(253,729)
Finance income	4	**165**	230
Loss before taxation		**(33,701)**	(253,499)
Taxation	5	**–**	(36)
Loss from continuing operations		**(33,701)**	(253,535)
Profit from discontinued operations, net of taxation		**–**	–
Loss for the year		**(33,701)**	(253,535)
Other comprehensive loss, net of taxation		**–**	–
Total comprehensive loss for the year		**(33,701)**	(253,535)

Company statement of financial position

as at 30 June 2019

Company registration number: SE 000110

	Notes	Audited Year ended 30 June 2019 R'000	Audited Year ended 30 June 2018 R'000
ASSETS			
Non-current assets		**2,846,981**	2,847,651
Equipment	6	**59**	86
Investment in subsidiaries	7	**2,846,922**	2,847,565
Current assets		**397,770**	384,436
Trade and other receivables	8	**392,214**	382,604
Cash and cash equivalents	9	**5,556**	1,832
TOTAL ASSETS		**3,244,751**	3,232,087
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	**2,641,980**	2,602,031
Share premium	10	**701,212**	701,212
Other reserves	10	**43,042**	40,296
Accumulated losses	10	**(159,211)**	(125,510)
TOTAL EQUITY		**3,227,023**	3,218,029
LIABILITIES			
Current liabilities			
Trade and other payables	11	**17,728**	14,058
TOTAL LIABILITIES		**17,728**	14,058
TOTAL EQUITY AND LIABILITIES		**3,244,751**	3,232,087

The Company financial statements were approved by the board and authorised for issue on 12 November 2019.

AD Bonamour
Chief Executive Officer

DKT Adomakoh
Non-executive Chairman

Company statement of changes in equity

for the year ended 30 June 2019

	Share capital R'000	Share premium R'000	Other reserves R'000	Accumulated losses R'000	Total equity R'000
Balance as at 1 July 2017	2,554,036	701,212	51,051	140,570	3,446,869
Total comprehensive loss for the year:	–	–	–	(253,535)	(253,535)
Loss for the year	–	–	–	(253,535)	(253,535)
Other comprehensive loss for the year	–	–	–	–	–
Transactions with owners:	47,995	–	(10,755)	(12,545)	24,695
New shares issued in terms of the long term Management Incentive Scheme	47,995	–	–	–	47,995
FSP share based payment expense	–	–	330	–	330
FSP shares forfeited during the current year	–	–	(1,313)	–	(1,313)
Purchase of treasury shares	–	–	(9,772)	–	(9,772)
Dividends paid	–	–	–	(12,545)	(12,545)
Balance as at 30 June 2018	**2,602,031**	**701,212**	**40,296**	**(125,510)**	**3,218,029**
Total comprehensive loss for the year:	**–**	**–**	**–**	**(33,701)**	**(33,701)**
Loss for the year	**–**	**–**	**–**	**(33,701)**	**(33,701)**
Other comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**
Transactions with owners:	**39,949**	**–**	**2,746**	**–**	**42,695**
New shares issued in terms of the long term Management Incentive Scheme	**39,949**	**–**	**–**	**–**	**39,949**
Treasury shares issued in terms of the long term Management Incentive Scheme	**–**	**–**	**8,261**	**–**	**8,261**
FSP share based payment expense	**–**	**–**	**1,038**	**–**	**1,038**
FSP shares forfeited during the current year	**–**	**–**	**(5,214)**	**–**	**(5,214)**
Purchase of treasury shares	**–**	**–**	**(1,339)**	**–**	**(1,339)**
Balance as at 30 June 2019	**2,641,980**	**701,212**	**43,042**	**(159,211)**	**3,227,023**

Company statement of cash flows

for the year ended 30 June 2019

	Notes	Audited Year ended 30 June 2019 R'000	Audited Year ended 30 June 2018 R'000
Cash flows from operating activities			
Cash utilised by operations	12	**(35,733)**	(26,087)
Finance income	4	**165**	230
Net cash utilised by operating activities		**(35,568)**	(25,857)
Cash flows from investing activities			
Additions to investments	7	**(2,365)**	(435)
Proceeds arising on disposal of consolidated subsidiary		**–**	166
Net cash utilised by investing activities		**(2,365)**	(269)
Cash flows from financing activities			
New shares issued to employees in subsidiaries		**39,949**	47,995
Treasury shares issued to employees in subsidiaries		**8,261**	–
FSP shares forfeited		**(5,214)**	–
Purchase of treasury shares		**(1,339)**	(9,772)
Dividends paid		**–**	(12,545)
Net cash generated by financing activities		**41,657**	25,678
Net increase/(decrease) in cash and cash equivalents		**3,724**	(448)
Cash and cash equivalents at the beginning of the year		**1,832**	2,258
Exchange gains on cash and cash equivalents		**–**	22
Cash and cash equivalents at the end of the year	9	**5,556**	1,832

Notes to the Company financial statements

for the year ended 30 June 2019

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Company financial statements have been consistently applied across all periods presented in the Company financial statements, except as noted in the paragraphs below which address instances where there has been a revision to an existing standard or a new standard has been issued and adopted by the Company during the current reporting period. The Company financial statements are presented in Rands and all financial information has been rounded to the nearest thousand unless stated otherwise.

The financial statements of the Company have been prepared in accordance with IFRS published by the IASB as endorsed for use by the European Union, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited's Listing Requirements, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the requirements of the UK Companies Act. The financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit and loss that have been measured at fair value.

The principal accounting policies which are relevant in the preparation of the Company financial statements are listed below and can be found on pages 135 to 148 of the consolidated financial statements:

- Note 1.12 – Cash and cash equivalents
- Note 1.16 – Dividend distributions
- Note 1.17 – Equity instruments and treasury shares
- Note 1.18 – Revenue
- Note 1.21 – Finance income and finance costs
- Note 1.22 – Share-based payments
- Note 1.23 – Tax
- Note 1.24 – Financial instruments
- Note 1.25 – Foreign currencies
- Note 1.27 – Significant judgements and areas of estimation
- Note 2 – Determination of fair values
- Note 3 – New IFRS Standards that are effective for the current year

2. ADOPTION OF IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company has applied IFRS 15, which became effective for the Company for the period beginning 1 July 2018. IFRS 15 introduced a five step approach to revenue recognition to provide users with more relevant, detailed disclosures about the timing and value of revenue recognised.

The Company adopted IFRS 15 on 1 July 2018 and elected not to restate the comparatives but rather recognise the cumulative effect of applying the new standard in equity at the date of initial application, in accordance with IFRS 15 par C3(b). Management performed an assessment on transition of the new standard and no quantitatively material adjustments were identified, as such no restatement to comparatives and no adjustment to opening retained earnings are required.

The table below describes the major revenue generating activity identified in the Company and includes the accounting policy for recognition of revenue for stated activity. An assessment of revenue was performed by management and the impact of IFRS 15 has been considered in the table below.

Type of product/service	Nature of performance obligations	Timing and recognition under IFRS 15	Recognition under IAS 18	Impact?
Fee income	The Company receives these fees by providing access to its management and head office finance staff, for operational support and assistance to external companies. These fees are in the form of management fees. The performance obligation related to this revenue stream involves carrying out the required operational and administrative tasks that will assist the external company in its operations and will be for the benefit of the company.	The performance obligation will be satisfied at a point in time when the service has been performed, being on completion of services for operational support.	Revenue was recognised as the service was provided.	No impact.

Notes to the Company financial statements continued

for the year ended 30 June 2019

3. NET LOSS

Net loss for the year is arrived at after taking into account:

Items by nature

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Depreciation	**(27)**	(29)
Auditors' remuneration		
Total audit fees	**(3,472)**	(3,307)
Fees payable to Deloitte and their associates for the audit of the Company's annual accounts	**(3,464)**	(3,382)
Fees payable to BDO and their associates for the audit of the Company's annual accounts – (under)/over provision from prior year	**(8)**	75
Audit-related assurance services	**(877)**	–
Other services	**(260)**	(853)
Employee benefits expense (excluding amounts paid to Tiso Blackstar Directors)		
Staff salary costs	**(560)**	(473)
Share based payment expense		
FSP share based payment expense	**(1,038)**	(330)
Fees paid		
Legal and consulting fees	**(6,407)**	(9,088)
Rental expense	**(1,002)**	(1,020)
Other losses		
Net foreign exchange gains/(losses)	**305**	(554)
Impairment of subsidiary	**(3,008)**	(214,858)
Loss on disposal of subsidiary	**–**	(77)

4. FINANCE INCOME

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Interest income on bank balances	**165**	230

5. TAXATION

The Company migrated its operations to the UK during 2017. On the date of migration, the Company ceased to be taxed by authorities in Malta, and became subject to UK Corporation tax. The rate of Corporation tax in the UK was 20% and was reduced to 19% with effect from 1 April 2017, and will be reduced further to 17% with effect from 1 April 2020.

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Foreign tax		
Prior year under provision for tax incurred in Malta	**–**	(36)

Notes to the Company financial statements continued

for the year ended 30 June 2019

5. TAXATION (continued)

The reason for the difference between the actual tax charge for the year and the standard rate of corporate tax in the UK of 19%, are as follows:

Tax rate reconciliation

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Loss before taxation	**(33,701)**	(253,499)
Tax at standard rate of corporate tax of 19%	**(6,403)**	(48,165)
Impairments of investments	**572**	40,823
Non-deductible legal and consulting fees	**1,905**	322
Entertainment, gifts and depreciation not deductible in UK	**11**	13
Foreign exchange gains/(losses) not deductible in UK	**(58)**	105
FSP share based payment expense not deductible in UK	**196**	64
Prior year under provision	**–**	(36)
Tax losses unutilised	**3,777**	6,838
Total tax charge for the year	**–**	(36)

Assessable tax losses of the Company for which no deferred tax asset has been recognised amounts to R54.5 million (2018: R36.0 million).

6. EQUIPMENT

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Cost	**188**	188
Accumulated depreciation	**(129)**	(102)
Carrying amount	**59**	86

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
At the beginning of the year	**86**	115
Depreciation	**(27)**	(29)
At the end of the year	**59**	86

7. INVESTMENT IN SUBSIDIARIES

			Proportion of ownership rights		Cost of investment	
Principal place of business	Principal activity	Name of subsidiary[1]	30 June 2019 %	30 June 2018 %	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
United Kingdom	Investment company	Tiso Blackstar Holdings SE ("Tiso Blackstar Holdings")	**100.0%**	100.0%	**2,844,357**	2,844,357
United Kingdom	Administrative centre	Tiso Blackstar Limited ("TBL")	**100.0%**	100.0%	**–**	–
South Africa	Investment advisory company	Tiso Blackstar SA Proprietary Limited ("Tiso Blackstar SA")	**100.0%**	100.0%	**2,565**	3,208
					2,846,922	2,847,565

[1] *Refer to note 47 of the consolidated financial statements for a complete list of subsidiaries of the Group.*

Notes to the Company financial statements continued

for the year ended 30 June 2019

7. INVESTMENT IN SUBSIDIARIES (continued)

	Tiso Blackstar Holdings R'000	Tiso Blackstar SA R'000	Tiso Blackstar Holdings PLC R'000	Total R'000
Balance as at 30 June 2017	2,844,357	217,631	243	3,062,231
Additions	–	435	–	435
Disposals	–	–	(243)	(243)
Impairment loss	–	(214,858)	–	(214,858)
Balance as at 30 June 2018	**2,844,357**	**3,208**	**–**	**2,847,565**
Additions	**–**	**2,365**	**–**	**2,365**
Impairment loss	**–**	**(3,008)**	**–**	**(3,008)**
Balance as at 30 June 2019	**2,844,357**	**2,565**	**–**	**2,846,922**

Significant changes in investment in subsidiaries

Investment in Tiso Blackstar SA was impaired by R3.0 million, due to a decrease in the underlying net asset value of the company.

Loans and receivables payable by subsidiaries

Shareholder loans to subsidiaries which are considered to be equity loans are accounted for as loans and receivables. There are no loans and receivables for the current year.

Restrictions

Tiso Blackstar receives income in the form of dividends and interest from its investments in subsidiaries, and there are no significant restrictions on the transfer of funds from these entities to Tiso Blackstar with the exception of the South African Reserve Bank regulations with respect to the transfer of funds off and onshore. An application is required to be made to the South African Reserve Bank through a financial institution, when transferring funds to or from a South African entity.

Support

Tiso Blackstar has no contractual commitments and may provide further financial or any other support to its subsidiaries should they require it and the Company has funds available to do so.

Impairment loss

Investment in subsidiaries are tested for impairment with reference to the fair value of the underlying businesses as determined by management using the discounted cash flow methodology.

The enterprise value is derived, using reasonable assumptions and estimations of expected cash flows and the terminal value and discounting to the present value by applying the appropriate risk-adjusted discount rate that quantifies the risk inherent in the investment. Given the subjective nature of valuations, the Group is cautious and conservative in determining the valuations.

8. TRADE AND OTHER RECEIVABLES

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Other receivables due by subsidiary companies	**391,930**	382,110
Prepayments, deposits and accrued income	**284**	494
	392,214	382,604

The Company considers the carrying value of trade and other receivables to approximate its fair value.

Notes to the Company financial statements continued

for the year ended 30 June 2019

9. CASH AND CASH EQUIVALENTS

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Deposits and cash at bank	**5,556**	1,832
Cash and cash equivalents per the statement of cash flows	**5,556**	1,832

Cash and cash equivalents include cash in current accounts and term deposits. The Company considers the carrying value of cash and cash equivalents to approximate its fair value.

The Company's cash and cash equivalents have been ceded to the banks which provided the term facility to Tiso Blackstar Holdings in respect of the acquisition of KTH (refer note 26 of the consolidated financial statements). The term facility was settled in full subsequent to year end.

10. SHARE CAPITAL AND RESERVES

10.1 Share capital and premium

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Share capital – Authorised		
400,000,000 ordinary shares of €0.76 each (converted to R10.71)	**4,282,418**	4,282,418
Share capital – Issued and fully paid		
273,315,907 (2018: 272,168,113) ordinary shares of €0.76 each (converted to R9.52)	**2,641,980**	2,602,031
Share premium	**701,212**	701,212
	3,343,192	3,303,243

Details of the share capital are set out in note 24.1 of the consolidated financial statements.

10.2 Reserves

The nature and purpose of each reserve within equity is described below:

Other reserves comprise of the following:
- Treasury shares comprises the cost of the Tiso Blackstar shares acquired and held as treasury shares by the Company;
- Capital redemption reserve which includes amounts transferred from share capital on redemption of issued shares; and
- Share based payment reserve which includes amounts arising on the long term Management Incentive Scheme (refer note 43 of the consolidated financial statements).

Accumulated losses

Accumulated losses comprise net gains and losses recognised in the statements of profit and loss and other comprehensive income.

11. TRADE AND OTHER PAYABLES

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Trade payables due to external parties	**(457)**	(4,600)
Other payables due to subsidiary companies	**(10,072)**	(5,216)
Accrued expenses	**(7,199)**	(4,242)
	(17,728)	(14,058)

The Company considers the carrying value of trade and other payables to approximate its fair value.

Notes to the Company financial statements continued

for the year ended 30 June 2019

12. CASH UTILISED BY OPERATIONS

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Loss for the year	**(33,701)**	(253,535)
Taxation	–	36
Loss before taxation	**(33,701)**	(253,499)
Adjustments for non-cash items:		
Depreciation	**27**	29
FSP share based payment expense	**1,038**	330
Impairment of subsidiary	**3,008**	214,858
Loss on disposal of subsidiary	–	77
Finance income	**(165)**	(230)
Unrealised foreign exchange gains on assets and liabilities not denominated in Rands	–	(554)
Changes in working capital:		
(Increase)/Decrease in trade and other receivables	**(9,610)**	6,389
Increase in trade and other payables	**3,670**	6,513
Cash utilised by operations	**(35,733)**	(26,087)

13. EMPLOYEES

	Audited 30 June 2019	Audited 30 June 2018
Managerial (includes the CEO, an executive director)	**2**	2
Operational	–	–
	2	2

14. FINANCIAL INSTRUMENTS

The Company is exposed to one or more of the following risks from its use of financial instruments: credit risk; liquidity risk; and market risk (which comprise currency risk, interest rate risk and market price risk).

Information related to financial instruments and management of these risks is set out in note 36 to the consolidated financial statements. The following information relates specifically to the Company.

14.1 Financial instruments by category

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Financial assets		
Loans and receivables		
Trade and other receivables (refer note 8)[1]	**391,930**	382,110
Cash and cash equivalents (refer note 9)	**5,556**	1,832
	397,486	383,942
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade and other payables (refer note 11)[2]	**(10,529)**	(9,816)

[1] *Excludes prepayments and deposits.*
[2] *Excludes income received in advance and salary and wages accruals.*

Notes to the Company financial statements continued

for the year ended 30 June 2019

14. FINANCIAL INSTRUMENTS (continued)

14.2 Credit risk

At the reporting date, the Company had no financial assets that were past due or impaired. The Company's maximum exposure to credit risk on loans and receivables is equal to the carrying amount of the financial assets recorded in the financial statements (as detailed in note 14.1). The credit quality of financial instruments that are not past due or impaired is considered to be good.

14.3 Liquidity risk

All financial liabilities have a contractual maturity of less than six months and the expected maturity is not believed to differ from the contractual maturity.

14.4 Market risk

14.4.1 Currency risk

A 10% strengthening of the Rands against Pounds Sterling at the reporting date, all other variables held constant, would have resulted in an estimated increase of R123,000 (2018: R420,000) in the reported equity and profit and loss of the Company. A 10% weakening of the Rands against Pounds Sterling at the reporting date, on the same basis, would have resulted in an estimated decrease of R123,000 (2018: R420,000) in the reported equity and profit and loss of the Company. Refer note 36.5.1 of the consolidated financial statements.

14.4.2 Interest rate risk

The Company has no interest bearing investments nor liabilities during the current and prior years.

14.4.3 Market price risk

The Company has no listed investments during the current and prior years.

14.5 Fair value

The Company has no financial assets at fair value during the current and prior years.

There were no transfers between levels during the prior or current financial years.

15. RELATED PARTIES

Details of related parties are set out in note 44 to the consolidated financial statements. In addition to this, the subsidiaries and associates (set out in note 16 and 17 respectively to the consolidated financial statements) are related parties to the Company.

The Company pays an advisory fee, payable quarterly, to Tiso Blackstar SA. The advisory fee for the year amounted to R8.0 million (2018: R10.5 million). R6.1 million (2018: R5.0 million) was outstanding at 30 June 2019.

The Company receives a management fee, receivable quarterly, from TBG. The management fee for the year amounted to R2.6 million (2018: R1.1 million). The Company reimbursed R1.4 million for directors' travel to TBG during the prior year. R395,000 (2018: R251,000) was outstanding at 30 June 2019.

During the current year, the Company paid R349,000 to Paton Tupper, a subsidiary of Hirt & Carter Group, for design of the 2018 IAR. R9,000 was outstanding at 30 June 2019.

The FSP receivables between the Company and participating employer companies amounted to R764,000 (2018: nil) receivable from Tiso Blackstar SA; R449,000 (2018: R5.9 million owing to the Company) owing to TBG; R3.1 million (2018: R8.0 million owing to the Company) owing to Hirt & Carter Group and R691,000 owing to the Company for Booksite in the prior year (nil in the current year).

Other receivables from subsidiaries include R384.4 million (R2018: R363.8 million) receivable from Tiso Blackstar Holdings, and R6.7 million (R2018: R3.6 million) receivable from TBL.

16. LONG TERM MANAGEMENT INCENTIVE SCHEME

Details of the long term Management Incentive Scheme are set out in note 43 to the consolidated financial statements.

17. CAPITAL MANAGEMENT

Information relating to capital management is set out in note 38 to the consolidated financial statements.

18. CONTINGENCIES AND GUARANTEES

Information relating to contingencies and guarantees is set out in note 40 to the consolidated financial statements.

19. SUBSEQUENT EVENTS

Information relating to post balance sheet events is set out in note 45 to the consolidated financial statements.

SHAREHOLDERS' INFORMATION

tiso blackstar group.

Shareholders' analysis

Register date: **30 June 2019**
Issued share capital **275,753,092**
No of Shareholders **1,691**

SHAREHOLDER SPREAD

	Number of shareholders	%	Number of shares	%
1 – 1,000 shares	868	51.3%	177,409	0.1%
1,001 – 10,000 shares	399	23.6%	1,894,672	0.7%
10,001 – 100,000	294	17.4%	9,590,062	3.5%
100,001 – 1,000,000 shares	88	5.2%	31,214,239	11.3%
1,000,001 shares and over	42	2.5%	232,876,710	84.4%
Total	**1,691**	**100%**	**275,753,092**	**100%**

DISTRIBUTION OF SHAREHOLDERS

	Number of shares	%
Directors and management	44,578,820	16.2%
Tiso Investment Holdings Proprietary Limited	50,787,536	18.4%
Tiso Foundation Charitable Trust	32,984,567	12.0%
Pensions	45,609,863	16.5%
Retail	54,936,565	19.9%
Mutual Funds	29,784,809	10.8%
Corporate	5,093,844	1.8%
Trading	6,784,303	2.5%
Investment Trusts	4,358,000	1.6%
Insurance	806,785	0.3%
Central Government	16,500	0.0%
Company Related	11,500	0.0%
Total	**275,753,092**	**100%**

PUBLIC/NON-PUBLIC SHAREHOLDERS

	Number of shareholders	%	Number of shares	%
Non-public shareholders	**16**	**0.9%**	**174,488,251**	**63.3%**
Directors and management	12	0.7%	89,366,356	32.4%
Strategic holder (more than 10%)	4	0.2%	85,121,895	30.9%
Public shareholders	**1,675**	**99.1%**	**101,264,841**	**36.7%**
Total	**1,691**	**100%**	**275,753,092**	**100%**

Shareholders' analysis continued

BENEFICIAL SHAREHOLDERS HOLDING OF 3% OR MORE

	Number of shares	%
Tiso Investment Holdings Proprietary Limited[1]	50,787,536	18.5%
Kagiso Asset Management Proprietary Limited[2]	46,137,328	16.8%
Tiso Foundation Charitable Trust[3]	32,984,567	12.0%
Other directors and management holding less than 3%[4]	24,248,327	8.8%
Andrew Bonamour[5]	13,760,287	5.0%
HKM Family Trust[6]	6,570,206	2.4%
Investec Asset Management	14,950,896	5.4%
Total	**189,439,147**	**68.9%**

Notes:

[1] *Tiso Blackstar Directors David Adomakoh and Nkululeko Sowazi are beneficially interested in this shareholding as each of them indirectly owns 50% of Tiso Investment Holdings Proprietary Limited.*

[2] *Includes shares held by these shareholders on behalf of their clients.*

[3] *Tiso Blackstar Directors, David Adomakoh and Nkululeko Sowazi are non-beneficially interested in this shareholding. Their interest is non-beneficial and only arises as a result of them being two of the seven trustees on the Tiso Foundation Charitable Trust.*

[4] *This includes forfeitable shares awarded under the Tiso Blackstar shareholder approved long term incentive scheme. To date none of these shares have vested. This also includes shares acquired by certain Tiso Blackstar management through the SPV.*

[5] *This includes shares held by funds associated with Andrew Bonamour as well as forfeitable shares issued under the Tiso Blackstar shareholder approved long term incentive scheme. This is a forfeitable share plan and to date none of the shares awarded have vested.*

[6] *This includes shares held by Trusts associated with Harish Mehta.*

Notice of Annual General Meeting

tiso blackstar group.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to what action you should take you are recommended to consult your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000 (as amended) as soon as possible.

If you have sold or otherwise transferred all of your shares in Tiso Blackstar Group SE (the **"Company"**), please pass this document to the purchaser or transferee, or to the person who arranged the sale or transfer, so they can pass this document to the person who now holds the shares.

To the holders of ordinary shares of €0.76 each in the Company ("**Ordinary Shares**").

Registered Office:
Berkeley Square House,
Berkeley Square,
Mayfair, London
W1J 6BD

(registered in England and Wales under number SE000110)

12 November 2019

Dear Shareholder,

Annual General Meeting 2019

I am pleased to enclose the notice for the annual general meeting (the **"AGM"**) of the Company. The AGM will be held at 10:00am GMT (12:00pm SAST) on Wednesday, 11 December 2019 at the registered office of the Company at Berkeley Square House, Berkeley Square, Mayfair, London, W1J 6BD, United Kingdom.

The notice convening the AGM (the **"Notice"**) is set out on pages 261 to 265 of this document. The explanatory notes for the business to be transacted at the AGM are set out on pages 266 to 268 of this document. The business of the meeting will include, amongst other matters, the following items:

Receive and consider the Integrated Annual Report for the year ended 30 June 2019

The Integrated Annual Report and Annual Financial Statements (**"Accounts"**) for the year ended 30 June 2019 are also enclosed. A resolution to receive and consider the auditor's report, the strategic report, the directors' report and the Accounts for the year ended 30 June 2019 is included in the business of the AGM.

Re-election of Directors

Our Articles of Association require that any director appointed by the board of directors of the Company (the **"Board"**) must retire at the first annual general meeting following their appointment and certain of the current directors must retire at each annual general meeting dependent on the length of their service and the period that has elapsed since their last re-election.

I therefore ask you to support the re-election of the directors, who have confirmed their intention to offer themselves for re-election at the AGM. Biographical details for the directors can be found on pages 78 and 79 of the 2019 Integrated Annual Report.

Donations to EU Political Organisations and EU Political Expenditure

Section 366 of the UK Companies Act 2006 (the **"Act"**) requires companies to seek shareholder approval for donations to organisations within the European Union, which are, or could be, categorised as EU political organisations. Although the Company does not make, and does not intend to make any donations to political parties or any election candidates within the normal meaning of these expressions, the concept of a political organisation under the Act is very broad. Therefore, in accordance with corporate governance best practice, the Board has decided to seek shareholders' authority for any donations or expenditure that could, under the broad interpretation of the Act, be considered to be political donations and political expenditure. The Company has decided upon a cap on the aggregate amount of political donations and expenditure at £90,000, in case any of the Company's normal activities are caught by the legislation.

Notice of Annual General Meeting continued

Attendance at the AGM and Appointment of Proxies

If you wish to attend the AGM in person, please bring the attendance card accompanying the Notice with you. This will authenticate your right to attend, speak and vote at the AGM and assist us to register your attendance immediately. If you are unable to attend, you may wish to appoint a proxy (or proxies) to attend and vote on your behalf by following the notes in the Notice and the instructions in the enclosed Form of Proxy and returning such form so as to be received by the registrar or the Company's transfer secretary no later than 10:00am (GMT) and 12:00pm (SAST) Monday, 9 December 2019. Full details are set out in the notes to the Notice on pages 264 and 265 of this document.

Voting at the AGM

Voting on each of the resolutions to be put to the forthcoming AGM will, once again, be taken by a poll, rather than on a show of hands.

The Company continues to believe that a poll is more representative of shareholders' voting intentions because shareholder votes are counted according to the number of Ordinary Shares held and all votes tendered are taken into account. The results of the poll will be announced through the JSE Limited (**"JSE"**)'s Stock Exchange News Service (**"SENS"**) and will be available on the Company's website as soon as practicable following the conclusion of the AGM.

Recommendation

The Board considers that the proposals set out in the Notice are in the best interests of shareholders and the Company as a whole.

Yours faithfully,

David Adomakoh
Non-executive Chairman

Notice of Annual General Meeting continued

PART 1 – NOTICE OF ANNUAL GENERAL MEETING

TISO BLACKSTAR GROUP SE

(registered in England and Wales under number SE000110)
Berkeley Square House, Berkeley Square, Mayfair, London W1J 6BD

Notice is hereby given that the annual general meeting (the **"AGM"**) of Tiso Blackstar Group SE (the "Company") will be held at the registered office of the Company at Berkeley Square House, Berkeley Square, Mayfair, London, W1J 6BD, United Kingdom on Wednesday, 11 December 2019 at 10:00am GMT (12:00pm SAST) for the following purposes:

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

1. To receive and consider the auditor's report, the strategic report, the directors' report and the Accounts for the financial year ended 30 June 2019.

2. To approve the Directors' Remuneration Report set out on pages 96 to 111 of the Integrated Annual Report for the financial year ended 30 June 2019.

3. To re-elect the following director retiring in accordance with the Company's Articles of Association and the JSE Listings Requirements: Nkululeko Leonard Sowazi.

4. To re-elect the following director retiring in accordance with the Company's Articles of Association and the JSE Listings Requirements: David Kwame Tandoh Adomakoh.

5. To re-appoint Deloitte LLP and Deloitte & Touche (JSE purpose only) as the auditors of the Company to hold office from the conclusion of the AGM until the conclusion of the next annual general meeting at which Accounts are laid before the Company.

6. To authorise the Audit Committee to determine the remuneration of the auditors.

7. That, in accordance with section 366 of the UK Companies Act 2006 (the **"Act"**), the Company, and all companies that are subsidiaries of the Company at any time during the period for which this resolution has effect, be and are hereby authorised:
   (a) to make political donations (as defined in section 364 of the Act) to political parties (as defined in section 363 of the Act), not exceeding £30,000 in total;

   (b) to make political donations (as defined in section 364 of the Act) to political organisations other than political parties (as defined in section 363 of the Act), not exceeding £30,000 in total; and

   (c) to incur political expenditure (as defined in section 365 of the Act), not exceeding £30,000 in total,

   in each case during the period beginning with the date of the passing of this resolution and ending at the earlier of the conclusion of the next annual general meeting of the Company and close of business on 20 February 2021. In any event, the aggregate amount of political donations and political expenditure made or incurred by the Company and its subsidiaries pursuant to this resolution shall not, in aggregate, exceed £90,000.

8. That the Board be and is hereby given power, by way of a general authority to allot shares in the Company and to allot securities that are convertible into shares in the Company (**"Convertible Securities"**), to such person/s on such terms and conditions and at such times as the directors may, from time to time, in their discretion deem fit, up to a nominal amount of €20,957,235 being one-tenth of the nominal value of the existing issued share capital, such authority to apply until the earlier of the conclusion of the next annual general meeting of the Company and close of business on 20 February 2021, but so that the Company may enter into binding agreements during the relevant period which would, or might, require shares to be allotted or Convertible Securities to be allotted into shares to be granted after the authority ends and the Board may allot shares or Convertible Securities under any such binding agreement as if the authority had not ended, provided that (i) any issue of shares or Convertible Securities pursuant to the authority granted under this resolution, shall be required to comply with the Listings Requirements of the JSE Limited (**"JSE Listings Requirements"**) and (ii) any issue of shares for cash is undertaken either in accordance with section 561 of the Act or pursuant to any authority granted by Resolution 11.

9. That the shareholders endorse, by way of a non-binding advisory vote, the Company's Remuneration Policy as set out in the Directors' Remuneration Report on pages 102 to 106 of the Integrated Annual Report.

10. That the shareholders endorse, by way of a non-binding advisory vote, the Company's implementation report in respect of the Remuneration Policy, as set out in the Directors' Remuneration Report on pages 107 to 111 of the Integrated Annual Report.

    In the event that 25% or more of shareholders vote against either the Remuneration Policy or the implementation report at the meeting, the Company will engage with such shareholders through dialogue, requesting written submissions or otherwise, in order to address their concerns, always with due regard to meeting the Company's stated business objectives while being fair and responsible toward both the employees and shareholders.

Notice of Annual General Meeting continued

To consider and, if thought fit, pass the following resolutions as special resolutions:

11. That, if resolution 8 is passed, then subject to that resolution, the Board be and is hereby given the power to allot and issue equity securities (as defined in the Act) and Convertible Securities and to sell treasury shares for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash, as if section 561 of the Act did not apply to any such allotment, issue or sale, such power to be limited:
    (a) the allotment and issue of equity securities and Convertible Securities and the sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities to existing ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and, in addition to any allotment, issue or sale pursuant to this paragraph; and

    (b) to the allotment and issue (otherwise than under paragraph (a) above) of equity securities and Convertible Securities or sale of treasury shares (whether to existing ordinary shareholders or otherwise) up to a nominal amount of €10,478,617,

    such power to apply until the earlier of the conclusion of the next annual general meeting of the Company and close of business on 20 February 2021 but, in each case, during this period the Company may enter into binding agreements, which would, or might, require equity securities and Convertible Securities to be allotted (and/or treasury shares to be sold) after the power ends and the Board may allot equity securities and Convertible Securities (and/or sell treasury shares) under any such binding agreement as if the power had not ended, provided that any issue of shares pursuant to the authority granted under this resolution, shall be required to comply with the JSE Listings Requirements. In particular, but without derogating from the generality of the foregoing, the JSE Listings Requirements currently impose, inter alia, the following limitations in respect of issues of shares for cash:
    - the shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;
    - any such issue may only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the JSE Listings Requirements and not to related parties;
    - the number of shares issued for cash in terms of this authority shall not, in aggregate, a fixed percentage of the number of the Company's issued shares of that class of which 10% is being bought by the Company which is lower than the percentage allowed by the JSE Listings Requirements. The number of shares which may be issued shall be based on the number of shares in issue as at the date of this Notice. As at the Latest Practicable Date, 10% of the number of issued shares amounts to 27,575,309 Ordinary Shares;
    - after the Company has issued shares under this general authority representing, on a cumulative basis within the period of this approval, 5% or more of the number of shares in issue prior to the issue, the Company shall publish an announcement on SENS containing full details of the issue, including:
      - the number of shares issued;
      - the average discount to the weighted average traded price of the shares over the 30 business days prior to the date that the issue is agreed in writing between the Company and the party/ies subscribing for the shares; and
      - in respect of the issue of options and convertible securities pursuant to paragraph 5.53 of the JSE Listings Requirements, the effects of the issue on the statement of financial position, net asset value per share, net tangible asset value per share, the statement of comprehensive income, earnings per share, headline earnings per share and, if applicable, diluted earnings and headline earnings per share; or
      - in respect of an issue of shares pursuant to paragraph 5.52 of the JSE Listings Requirements, an explanation, including supporting information (if any), of the intended use of the funds; and
    - in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price on the JSE Limited ("JSE") of the shares over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the shares; and
    - this authority includes the authority to issue any options/convertible securities that are convertible into an existing class of equity securities, where applicable.

    In terms of the JSE Listings Requirements, should the Company wish to dispose of any treasury shares, such disposal must comply with the JSE Listings Requirements as if such disposal was a fresh issue of securities and will, accordingly, need to comply with Resolution 8 and this Resolution 11.

Notice of Annual General Meeting continued

12. That the Company be and is hereby given authority for the purposes of section 701 of the Act to make one or more market purchases (as defined in section 693(4) of the Act) of its Ordinary Shares, such power to be exercised in accordance with the provisions of the Act, the Company's Articles of Association and the JSE Listings Requirements, and to be limited:
(a) to 10% of the number of issued shares which amounts to a maximum of 27,575,309 Ordinary Shares;

(b) by the condition that the maximum price, exclusive of expenses, which may be paid for an Ordinary Share contracted to be purchased on any day shall be the highest of: (i) an amount equal to 5% above the average market value of an Ordinary Share for the five business days immediately preceding the day on which that Ordinary Share is contracted to be purchased; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue on which the purchase is carried out at the relevant time (provided that this price can never be greater than 10% above the weighted average of the market value of an Ordinary Share for the five business days immediately preceding the date on which that Ordinary Share is contracted to be purchased);

(c) by the condition that the minimum price, exclusive of expenses, which may be paid for an Ordinary Share is €0.01, such power to apply, unless renewed prior to such time, until the earlier of the conclusion of the next annual general meeting of the Company and close of business on 20 February 2021 but so that the Company may enter into a binding contract under which a purchase of Ordinary Shares may be completed or executed wholly or partly after the power ends and the Company may purchase Ordinary Shares in pursuance of such binding contract as if the power had not ended, provided further that:

- such repurchase of the shares may only be implemented through the order book operated by the JSE trading system;
- such repurchase shall be done without any prior understanding or arrangement between the Company and the counterparty;
- a resolution has been passed by the board of directors approving the purchase, that the Company and its subsidiary/ies have passed solvency and liquidity tests required by the JSE Listings Requirements and that, since the tests were performed, there have been no material changes to the financial position of the group;
- at any point in time, the Company may only appoint one agent to effect any repurchase(s) on the Company's behalf;
- no shares will be repurchased during a prohibited period, as defined in paragraph 3.67 of the JSE Listings Requirements, unless the Company has in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing prior to the commencement of the prohibited period. The Company must instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by, the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE; and
- an announcement must be published as soon as the Company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter.

13. That the share capital of the Company be reduced by cancelling and extinguishing €0.66 of the amount paid up or credited as paid up on each of the issued Ordinary Shares in the capital of the Company and reducing the nominal value of each issued Ordinary Share to €0.10 ("Share Capital Reduction"), with this approval being conditional on the Share Capital Reduction being approved by the court (being the United Kingdom's Insolvency and Companies List, formerly the Companies Court) and the court order being registered by the United Kingdom's registrar of companies.

By Order of the Board

Leanna Isaac
Company Secretary
12 November 2019

Notice of Annual General Meeting continued

Notes:

1. The date on which shareholders must be recorded as such in the share register maintained by the transfer secretary of the Company (the "Share Register") for purposes of being entitled to receive this notice is Friday, 1 November 2019.

2. Members registered on the Share Register as of Friday, 6 December 2019 (the "Record Date") shall have the right to participate and vote at the AGM. Accordingly, the last day to trade for shareholders on the Share Register in order to be able to participate and vote at the AGM is Tuesday, 3 December 2019. Any change to an entry on the Share Register after the Record Date shall be disregarded in determining the right of any person to attend and vote at the AGM.

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 AGM whether by show of hands or on a poll. A proxy need not be a shareholder of the Company. A Form of Proxy which may be used to make such an appointment and give proxy instructions accompanies the Notice.

4. To be valid, the Form of Proxy must be signed and the signed Form of Proxy 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 Company's registered office at Berkeley Square House, Berkeley Square, Mayfair, London, W1J 6BD or be emailed to: info@tisoblackstar.com, in either case, by no later than Monday, 9 December 2019 at 10:00am (GMT). In order to assist shareholders, certificated shareholders and own-name registered dematerialised shareholders on the Share Register may send their signed Form of Proxy to the South African Transfer Secretary, 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 Monday, 9 December 2019 at 12:00pm (SAST).

5. Please indicate in the Form of Proxy the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given.

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 Company's Share Register in respect of the joint holding (the first-named being the most senior).

7. Dematerialised shareholders on the Share Register, other than own-name registered dematerialised shareholders, who wish to attend the AGM in person, will need to request their Central Securities Depository Participant ("CSDP") or broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between such shareholders and the CSDP or broker. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the AGM 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 secretary by no later than Monday, 9 December at 12:00pm (SAST).

8. The return of a completed Form of Proxy, other such instrument or a Proxy Instruction will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.

9. Any person to whom the Notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. 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 shareholder as to the exercise of voting rights.

Notice of Annual General Meeting continued

10. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does 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 shareholders included in the Share Register as at close of business on Friday, 6 December 2019 or, in the event that this AGM is adjourned, in the Share Register 48 hours before the time of the adjourned AGM, provided that no account shall be taken of any part of a day that is not a working day, shall be entitled to attend and vote at the AGM (or any adjourned AGM) in respect of the numbers of shares registered in their names at that time. Changes to the Share Register after close of business on Friday, 6 December 2019 or, in the event that the AGM is adjourned, in the Share Register 48 hours before the time of the adjourned AGM provided that no account shall be taken of any part of a day that is not a working day, shall be disregarded in determining the rights of any person to attend or vote at the AGM (or any adjourned AGM).

12. A Form of Proxy 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 shareholder provided that they do not do so in relation to the same shares.

14. Voting on each of the resolutions to be put to the forthcoming AGM 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 AGM.

15. Under section 527 of the Act, 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 AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous AGM at which annual Accounts and reports were laid in accordance with section 437 of the 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 Act.

    Where the Company is required to place a statement on a website under section 527 of the 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 AGM includes any statement that the Company has been required under section 527 of the Act to publish on a website.

16. Any shareholder attending the AGM 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 AGM 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, and other information required by section 311A of the 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 or any related documents (including the Chairman's Letter and Form of Proxy) to communicate for any purposes other than those expressly stated.

Notice of Annual General Meeting continued

PART 2 – EXPLANATORY NOTES ON THE RESOLUTIONS

The notes on the following pages explain the proposed resolutions.

Resolutions 1 to 10 are proposed as ordinary resolutions which require the approval of more than 50% of the votes cast on each resolution by shareholders present or represented by proxy at the AGM.

Resolution 1 – To receive and consider the auditor's report, the strategic report, the directors' report and the Accounts for 2019
For each financial year, the directors must present an independent auditor's report on the annual financial statements, a strategic report, a directors' report and accounts to shareholders at an annual general meeting. Those to be presented at the AGM are in respect of the year ended 30 June 2019.

Resolution 2 – To approve the Directors' Remuneration Report
Resolution 2 seeks approval for the Directors' Remuneration Report (including the Remuneration Review to shareholders by the Chairman of the Remuneration Committee), which together comprise the Directors' Remuneration Report. The Directors' Remuneration Report can be found on pages 96 to 111 of the 2019 Integrated Annual Report. The Directors' Remuneration Report sets out the remuneration outcomes for the financial year ended 30 June 2019. This report will be subject to advisory votes (as further detailed below).

Resolutions 3 and 4 – Election and Re-Election of Directors
The Company's Articles of Association currently require directors to submit themselves for election by shareholders at the first annual general meeting following their initial appointment to the Board and for re-election thereafter at subsequent annual general meetings at intervals of no more than three years. Also in accordance with the JSE Listings Requirements one third of the non-executive directors are also required to seek re-election.

The non-executive directors, Nkululeko Leonard Sowazi and David Kwame Tandoh Adomakoh, have been subject to a performance evaluation process and it is believed that they will continue to be effective in, to demonstrate commitment to, and to have sufficient time available to perform the duties required of their roles.

The biographical details of the directors are given in the 2019 Integrated Annual Report in support of the Board's recommendation to re-elect Nkululeko Leonard Sowazi and David Kwame Tandoh Adomakoh as directors of the Company.

Resolutions 5 and 6 – To authorise the Board to re-appoint Deloitte LLP and Deloitte & Touche (JSE purpose only) as the auditors to the Company and to authorise the Audit Committee to determine their remuneration
At every general meeting at which Accounts are presented to shareholders, the Company is required to appoint an auditor to serve until the next such meeting. You are asked to approve their re-appointment and, following normal practice, to authorise the Audit Committee to determine their remuneration.

Resolution 7 – Donations to EU Political Organisations and EU Political Expenditure
Section 366 of the Act requires companies to seek shareholder approval for donations to organisations within the European Union, which are, or could be, categorised as EU political organisations. Although the Company does not make, and does not intend to make, donations to political parties within the normal meaning of that expression or to independent election candidates, the legislation is very broadly drafted, in that, it may extend to activities such as funding seminars and other functions to which politicians are invited, supporting certain bodies involved in policy review and law reform and matching employees' donations to certain charities. Therefore, in accordance with corporate governance best practice, the Board has decided to seek shareholders' authority for political donations and political expenditure. The Company has decided upon a cap on the aggregate amount of political donations and expenditure at £90,000, in case any of the Company's normal activities are subject to the legislation.

Notice of Annual General Meeting continued

Resolution 8 – Authority to Allot Shares
This resolution seeks to renew for a further year the directors' general authority to allot shares and to allot Convertible Securities given by shareholders at the last annual general meeting. The renewed authority would give the directors authority to allot shares and to allot Convertible Securities with an aggregate nominal value of up to €20,957,235 which, represents approximately one-tenth of the issued share capital of the Company.

The authority sought under Resolution 8 will expire at the earlier of the conclusion of the next annual general meeting of the Company and close of business on 20 February 2021. The Board intends to seek renewal of this authority again at the next annual general meeting. The directors consider that the Company should maintain an adequate margin of shares for use, for example, in connection with a future acquisition or an equity issue.

Resolution 9 – Non Binding Advisory Vote on the Remuneration Policy of the Company
The reason for resolution 9 is that the JSE Listings Requirements requires, and King IV™ recommends, that the Remuneration Policy of a company be tabled for a non-binding advisory vote by shareholders at each annual general meeting of the Company. This enables shareholders to express their views on the Remuneration Policy adopted. Resolution 9 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the Board will take the outcome of the vote into consideration when considering amendments to the Company's Remuneration Policy.

Resolution 10 – Non Binding Advisory Vote on the Implementation of the Remuneration Policy of the Company
The reason for resolution 10 is that the JSE Listings Requirements requires, and King IV recommends, that the implementation of a company's Remuneration Policy be tabled for a non-binding vote by shareholders at each annual general meeting of the Company. This enables shareholders to express their views on the implementation of the Company's Remuneration Policy. Resolution 10 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration arrangements. However, the Board will take the outcome of the vote into consideration when considering amendments to the Company's Remuneration Policy and its implementation.

Resolutions 11, 12 and 13 are proposed as special resolutions which require the approval of at least 75% of the total votes cast on each resolution by shareholders present or represented by proxy at the AGM.

Resolution 11 – Disapplication of pre-emption rights
This resolution gives the Board authority to allot and issue Ordinary Shares and Convertible Securities (or sell any Ordinary Shares which the Company may purchase and elect to hold as treasury shares) for cash without first offering them to existing shareholders in accordance with statutory pre-emption rights.

Part (a) of the resolution provides authority to the Board to allot and issue Ordinary Shares and Convertible Securities (or sell treasury shares) for cash to existing shareholders in proportion to their existing shareholdings, but with greater flexibility than is required under the UK's statutory pre-emption right.

Part (b) of the resolution provides authority to allot and issue Ordinary Shares and Convertible Securities (or sell treasury shares) to third parties without first offering the shares to existing shareholders. This authority renews a corresponding authority granted at the last annual general meeting and would, as in previous years, be limited to allotments or sales in connection with non-pre-emptive offers or otherwise up to an aggregate nominal amount of €10,478,617 This aggregate nominal amount represents approximately 5% of the issued share capital of the Company.

This authority will expire on the earlier of the conclusion of the next annual general meeting of the Company and close of business on 20 February 2021. This authority is granted under section 570 of the Act.

To the extent that the authority granted under this resolution may amount to a general authority to issue shares for cash, such authority will be subject to the applicable provisions of the JSE Listings Requirements. Shareholders are referred to these restrictions, as detailed in resolution 11.

Notice of Annual General Meeting continued

Resolution 12 – Purchase of own shares by the Company

This Resolution seeks to renew the authority for the Company to make market purchases of its own Ordinary Shares. The directors do not currently have any intention of exercising the authority granted by this resolution.

Nevertheless, in certain circumstances, it may be advantageous for the Company to purchase its own shares and this resolution seeks authority from shareholders to make such purchases in the market. The directors consider it to be desirable for this general authority to be available to provide flexibility in the management of the Company's capital resources. The authority will be exercised only if, in the opinion of the directors, this will result in an increase in earnings per share and would be in the best interests of the Company and its shareholders generally, given the market conditions and the price prevailing at the time. You are asked to consent to the purchase by the Company of up to a maximum aggregate of 27,575,309 Ordinary Shares, which represents 10% of the Company's issued share capital.

This authority will expire at the earlier of the conclusion of the next annual general meeting of the Company and close of business on 20 February 2021.

The Company may either retain any of its own shares which it has purchased as treasury shares with a view to a possible re-issue at a future date, or cancel them. The Company would consider holding any of its own shares that it purchases pursuant to the authority conferred by this resolution as treasury shares. This would give the Company the ability to re-issue treasury shares quickly and cost-effectively and would provide the Company with additional flexibility in the management of its capital base.

Resolution 13 – Reduction of share capital of the Company

The Company's net asset value currently exceeds its distributable reserves and includes certain assets that may be sold. The Company is seeking to create distributable reserves for purposes of enabling it to return value it may realise in the future to shareholders through potential distributions or share repurchases.

The Board proposes to reduce the share capital of the Company by cancelling and extinguishing €0.66 of the amount paid up or credited as paid up on each of the issued Ordinary Shares and reducing the nominal value of the issued Ordinary Shares from €0.76 to €0.10 per share (**"Share Capital Reduction"**). As a result, it is expected that an amount of €181,997,041 will be credited to the Company's profit and loss account, calculated based on the actual number of shares in issue at the date of the Notice.

The Share Capital Reduction requires the approval of shareholders by way of a special resolution, as well as court approval under the Act.

In seeking the court's approval of the Share Capital Reduction, the court (being the United Kingdom's Insolvency and Companies List, formerly the Companies Court) will need to be satisfied that the interests of the creditors (including contingent creditors) of the Company, whose debts remain outstanding on the date on which the Court order is registered, are protected. In this regard, if the Company can show that there is no real likelihood that the Share Capital Reduction would result in the Company being unable to discharge their debt or claims when they fall due, the Court will be satisfied. The Board has, to this end, undertaken a review of the Company's liabilities (including contingent liabilities) and is confident that the Company will be able to satisfy the Court that it meets this requirement.

The Company intends that an application will be made for the Court to approve the Share Capital Reduction as soon as reasonably practicable after the AGM, provided that Resolution 13 has been passed.

Shareholders should note that whilst the amount credited to the Company's profit and loss account as a result of the Share Capital Reduction is distributable (if the Court is satisfied with the Company's approach), the Share Capital Reduction itself will not involve any distribution or repayment of capital or share premium by the Company and will not reduce the underlying net assets of the Company.

To the extent that any subsequent utilisation of the distributable reserves resulting from the Share Capital Reduction requires shareholder approval in terms of the Act, the JSE Listings Requirements or otherwise, such approval will be sought prior to such utilisation.

Notice of Annual General Meeting continued

PART 3 – ADDITIONAL INFORMATION

1. RESPONSIBILITY

1.1. The directors, collectively and individually, accept responsibility for the information contained in the Notice and to the best of their knowledge and belief (having taken reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of the information, and that all reasonable enquiries to ascertain such facts have been made and that the Notice contains all information required by law and the JSE Listings Requirements.

2. MATERIAL CHANGE

2.1. With the exception of the impact of the disposal of certain of its South African Media, Broadcast and Content assets, as well as its Media, Broadcast and Content assets in Ghana, Nigeria and Kenya and its South African radio assets, referred to as the Transaction, there has been no other material changes in the financial or trading position of the applicant and its subsidiaries subsequent to the Company's financial year end, being 30 June 2019. Refer to page 59 for further details on the Transaction.

3. ISSUED SHARE CAPITAL

Share capital and premium as disclosed in the consolidated financial statements:

	Audited 30 June 2019 R'000	Audited 30 June 2018 R'000
Share capital – Authorsied		
400,000,000 ordinary shares of €0.76 each (converted to R10.71)	**4,282,418**	4,282,418
Share capital – Issued and fully paid		
268,291,260 ordinary shares of €0.76 each (converted to R9.52)	**2,554,036**	2,554,036
Share premium	**701,212**	701,212
	3,255,248	3,255,248

A reconciliation of the movement in ordinary shares €0.76 each is provided below:

	Issued and fully paid number of shares	Treasury shares number of shares	Outstanding shares number of shares
Balance as at 1 July 2017	268,291,260	(3,012,349)	265,278,911
Repurchase of own shares	–	(1,995,542)	(1,995,542)
Forfeitable shares issued	–	–	–
Balance as at 30 June 2018	268,291,260	(5,007,891)	263,283,369
Repurchase of own shares	–	(450,599)	(450,599)
Forfeitable shares issued	–	–	–
Balance as at 30 June 2019	**268,291,260**	**(5,458,490)**	**262,283,770**
Forfeitable shares awarded as forfeitable shares	**7,461,832**	**(7,461,832)**	**–**
	275,753,092	**(12,920,322)**	**262,832,770**
Treasury shares awarded as forfeitable shares	**–**	**12,281,060**	**12,281,060**
Number of shares from a legal perspective*	**275,753,092**	**(639,262)**	**275,113,830**

* *Forfeitable shares have been issued and are accordingly reflected as such, however in terms of accounting principles, these forfeitable shares are accounted for as if they were not issued to participants and are reflected as treasury shares*

Notice of Annual General Meeting continued

The Group awarded 6,110,809 (2018: 4,015,973) forfeitable shares, subject to achievement of performance conditions, under the long term Management Incentive Scheme for the year ended 30 June 2019 (refer note 43). The first tranche of 3,012,349 shares was issued in June 2017 out of treasury reserves, while the second tranche of 4,015,973 shares was a fresh share issue in November 2017, as there were no treasury shares available. Of the third tranche of 6,110,809 shares issued in October 2018, 2,664,950 shares were issued out of treasury reserves and 3,445,859 as a fresh share issue. During the current year, 716,985 (2018: 141,086) shares were forfeited under the long term Management Incentive Scheme. At 30 June 2019, Tiso Blackstar held 12,920,322 (2018: 9,023,864) treasury shares, of which 12,281,060 (2018: 6,887,236) shares (net of shares forfeited on resignation) have been awarded under the long term Management Incentive Scheme, and are not considered issued for IFRS purposes.

At 30 June 2019, Tiso Blackstar held 12,920,322 (2018: 9,023,864) treasury shares, of which 12,281,060 (2018: 6,887,236) shares (net of shares forfeited on resignation) have been awarded under the long term Management Incentive Scheme, and are not considered issued for IFRS purposes.

4. DIRECTORS

4.1. The directors of the Company and their functions are as follows:

Director	Function
David Kwame Tandoh Adomakoh	Non-executive Chairman
John Broadhurst Mills	Non-executive Deputy Chairman and Lead Independent Director
Nkululeko Leonard Sowazi	Non-executive Director
Andrew David Bonamour	Chief Executive Officer
Harishkumar Kantilal Mehta	Independent Non-executive Director

5. DIRECTORS' LETTERS OF APPOINTMENT

All directors have entered into a service agreement or letter of appointment with the Company. Each Director has been appointed pursuant to the Company's Articles of Association.

Director		Start date	Term
David Adomakoh	Non-executive Chairman	30 June 2019	one year
John Mills (Maitland Luxembourg S.A.)	Independent Non-executive Deputy Chairman and Lead Independent Director	30 June 2019	one year
Nkululeko Sowazi	Non-executive Director	30 June 2019	one year
Harish Mehta	Independent Non-executive Director	30 June 2019	one year

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the Company's website at http://www.tisoblackstar.com/publications/ and will be available for inspection during usual business hours on any weekday (except Saturdays, Sundays and public holidays) from the date of the Notice at the registered office of the Company and at the place of the AGM for 15 minutes prior to the AGM and during the AGM:

i. the Memorandum and Articles of the Company;

ii. the audited financial statements for the year ended 30 June 2019;

iii. the interim financial statements for the six months ended 31 December 2018; and

iv. the Notice.

6.1. Copies of the following documents will be available for inspection during usual business hours on any weekday (except Saturdays, Sundays and public holidays) from the date of the Notice at the registered office of the Company and at the place of the AGM for 15 minutes prior to the AGM and during the AGM.

6.2. All directors service agreements and non-executive director engagement letters.

A person who has received the Notice may request a copy of any documents or information incorporated by reference into the Notice. A copy of any such documents or information incorporated by reference into the Notice will not be provided unless requested from the Company Secretary, Leanna Isaac, at Berkeley Square House, Berkeley Square, London W1J 6BD, England or by telephone on +44 (0) 20 78876018.

Save as set out above in the Notice, neither the contents of the Company's website, nor the contents of any website accessible from hyperlinks on the Company's website, is incorporated into, or forms part of, the Notice.

Dated: 12 November 2019

Form of Proxy

TISO BLACKSTAR GROUP SE

(registered in England and Wales under number SE000110)
Berkeley Square House, Berkeley Square, Mayfair, London W1J 6BD

FORM OF PROXY

For use by registered Shareholders at the annual general meeting (the **"AGM"**) of Tiso Blackstar Group SE (the **"Company"**) will be held at Berkeley Square House, Berkeley Square, Mayfair, London W1J 6BD on Wednesday, 11 December 2019 at 10:00am GMT (12:00pm SAST).

Capitalised terms which are used in this Form of Proxy but which are not defined shall have the meaning attributed thereto in the Notice of AGM dated 12 November 2019.

Please read the Notice of AGM and the explanatory notes below before completing this form.

I/We ....
(Please insert full name in block capitals)

Of ....
(Please insert address in block capitals)

being (a) member(s) of Tiso Blackstar Group SE (the "Company"), hereby appoint the Chairman of the AGM,

or .... (see Note 1)

as my/our proxy in relation to all/.. of my/our shares, to attend and vote for me/us at the AGM to be held on Wednesday, 11 December 2019 at 10:00am GMT (12:00pm SAST) and at any adjournment of that meeting.

I/We direct the proxy to vote in relation to the Resolutions referred to below as follows:

Please indicate by ticking the box if this proxy appointment is one of multiple appointments being made. ☐

For the appointment of one or more proxy, see Note 1.

RESOLUTIONS

ORDINARY RESOLUTIONS	For	Against	Abstain
1. To receive and consider the auditor's report, the strategic report, the directors' report and the Accounts for the financial year ended 30 June 2019.			
2. To approve the Directors' Remuneration Report set out on pages 96 to 111 of the Integrated Annual Report for the financial year ended 30 June 2019.			
3. To re-elect Nkululeko Leonard Sowazi as a non-executive director.			
4. To re-elect David Kwame Tandoh Adomakoh as a non-executive director.			
5. To re-appoint Deloitte LLP and Deloitte & Touche (JSE purposes only) as the auditors of the Company.			
6. To authorise the Audit Committee to determine the remuneration of the auditors.			
7. To authorise the Company and all companies that are subsidiaries of the Company to make political donations or incur political expenditure up to £90,000 in aggregate.			
8. To give the Board power to allot shares in the Company and to allot any convertible securities, up to a nominal amount of €20,957,235 being one-tenth of the existing issued share capital.			
9. To endorse, by way of a non-binding advisory vote, the Company's Remuneration Policy, as set out in the Directors' Remuneration Report on pages 102 to 106 of the Integrated Annual Report.			
10. To endorse by way of a non-binding advisory vote, the Company's implementation report in regard to the Remuneration Policy, as set out in the Directors' Remuneration Report on pages 107 to 111 of the Integrated Annual Report.			

SPECIAL RESOLUTIONS	For	Against	Abstain
11. That, if resolution 8 is passed, to dis-apply pre-emption right in respect of: (a) the allotment and issue of equity securities and convertible securities to existing ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings and, in addition to any allotment, issue or sale pursuant to this paragraph; and (b) to the allotment and issue (otherwise than under paragraph (a) above) of equity securities and convertible securities or sale of treasury shares (whether to existing ordinary shareholders or otherwise) up to a nominal amount of €10,478,617.			
12. To authorise the Company to make market purchases of its Ordinary Shares, to a maximum number of 27,575,309 Ordinary Shares.			
13. To authorise the Company to reduce its share capital by cancelling and extinguishing €0.66 of the amount paid up or credited as paid up on each of the issued Ordinary Shares in the capital of the Company and reducing the nominal value of each issued Ordinary Share to €0.10.			

Form of Proxy continued

If you want your proxy to vote in a certain way on the resolutions specified, please place an "X" in the appropriate box. If you fail to select any of the given options, your proxy can vote as he/she chooses or can decide not to vote at all. The proxy can also do this on any other resolution that is put to the AGM.

Please indicate below whether or not you intend to be present at the AGM. This information is sought for administrative purposes only and will not affect your right to attend the AGM, notwithstanding any indication to the contrary.

I will be attending the AGM ☐ I will not be attending the AGM ☐

Signature .... Date 2019

Notes:

1. To appoint as a proxy a person other than the Chairman of the AGM, insert the full name in the space provided. A proxy need not be a member of the Company. You can also appoint more than one proxy, provided each proxy is appointed to exercise the rights attached to a different share or shares held by you. The following options are available:
   (i) To appoint the Chairman as your sole proxy in respect of all your shares, simply fill in any voting instructions in the appropriate box, sign, and date the Form of Proxy.

   (ii) To appoint a person other than the Chairman as your sole proxy in respect of all your shares, delete the words 'the Chairman of the AGM (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.

   (iii) To appoint more than one proxy, you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. If you wish to appoint the Chairman as one of your multiple proxies, simply write 'the Chairman of the AGM'. All forms must be signed and should be returned together in the same envelope.

2. If no voting indication is given, the proxy will vote as he thinks fit or, at his discretion, abstain from voting.

3. To be valid, the Form of Proxy must be signed and the signed Form of Proxy 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 Company's registered office at Berkeley Square House, Berkeley Square, Mayfair, London, W1J 6BD or be emailed to: info@tisoblackstar.com, in either case, by no later than Monday, 9 December 2019 at 10:00am (GMT). In order to assist shareholders, certificated shareholders and own-name registered dematerialised shareholders on the Share Register may send their signed Form of Proxy to the South African Transfer Secretary, Link Market Services South Africa Proprietary Limited, either:
   (i) in hard copy form by post to PO Box 4844, Johannesburg, 2000; or

   (ii) in hard copy form by courier or by hand to 13th Floor, 19 Ameshoff Street, Braamfontein, 2001; or

   (iii) in electronic form by email or fax to meetfax@linkmarketservices.co.za,

   so as to be received by no later than Monday, 9 December 2019 at 12:00pm (SAST).

4. Dematerialised shareholders on the Share Register, other than own-name registered dematerialised shareholders, who wish to attend the AGM in person, will need to request their Central Securities Depository Participant ("CSDP") or broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between such shareholders and the CSDP or broker. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the AGM 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 secretary by no later than Monday, 9 December 2019 at 12:00 pm (SAST).

5. The Form of Proxy is for use in respect of the Shareholder account specified above only and should not be amended or submitted in respect of a different account.

6. Completion and return of the Form of Proxy will not preclude you from attending and voting in person at the AGM should you subsequently decide to do so.

Glossary

Africa	Africa (excluding South Africa)
Africa Radio or African Investments or Africa Associates	African radio assets in Nigeria, Ghana and Kenya, comprising 24.5% of the shares in Cooper Communications Limited, 32.2% of the shares in Multimedia Group Limited and 49.0% of the shares in Radio Africa Limited
AGM	Annual General Meeting
AI	Artificial Intelligence
AIM	Alternative Investment Market, the London Stock Exchange's international market for smaller growing companies
AltX	Alternative public equity exchange for small and medium-sized companies in South Africa
BBS	Bothma Branding Solutions Proprietary Limited
ATR	Annual Training Report
B2C	Business to consumer
BCCSA	Broadcasting Complaints Commission of South Africa
BEE	Black Economic Empowerment
B-BBEE	Broad-Based Black Economic Empowerment
the B-BBEE Act	Section 13G (2) of the Broad-Based Black Economic Empowerment Act No. 46 of 2013
BHG	Blackstar Holdings Group Proprietary Limited
Blackstar Investors PLC	"Blackstar" today Tiso Blackstar Group SE
the board	The board of directors of Tiso Blackstar Group, as set out on pages 75 to 80
Capital Reduction	The reduction of the Company's share premium account by way of a Capital Reduction
CEO	Chief Executive Officer of Tiso Blackstar Group' – Andrew Bonamour (appointed)
Coopers Nigeria	Cooper Communications Limited
COIDA	Compensation for Occupational Injuries and Diseases
CFO	Chief Financial Officer
CSDP	Central Securities Depository Participant
CSI	Consolidated Steel Industries Proprietary Limited
the current year	The year ended 30 June 2019
DBs	Direct broadcast satellite
Deloitte	Deloitte & Touche
Deloitte LLP	Deloitte UK
EME	Exempt Micro Enterprises
EU	European Union
Exco	Executive Committee of Tiso Blackstar Group
FD	Financial Director
FM	Frequency modulation
FIL	First Impressions Labels Proprietary Limited
FMCG	Fast-Moving Consumer Goods
FP&M	Fibre Processing and Manufacturing
FSC®	Forest Stewardship Council
FSP	Forfeitable Share Plan
FY	Financial year
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
IAR	Integrated Annual Report
ICASA	Independent Communications Authority of South Africa
IFRS	International Financial Reporting Standards
International <IR> Framework	International Integrated Reporting Framework – a framework to establish guiding principles and content elements for integrated reports
IoT	Internet of Things
ISO	International Organization for Standardization
IT	Information Technology
H&C	Hirt & Carter, a division of the segment Hirt & Carter Group

Glossary continued

HR	Human Resources
JSE	JSE Limited incorporating the Johannesburg Securities Exchange, the main board in South Africa
King Report or King IV™	King Report IV™ on Corporate Governance™ of South Africa, 2016
KPIs	Key performance indicators – a set of quantifiable measures that a Company or industry uses to gauge or compare performance in terms of meeting their strategic and operational goals
King IV™	King IV™ Report on Corporate Governance™ for South Africa, 2016
KTH	Kagiso Tiso Holdings Proprietary Limited
Lebashe	Lebashe Investment Group Proprietary Limited
LED	Light Emitting Diode
LRC&S	Laws, tax laws, regulations, codes and standards
LSE	London Stock Exchange
LTI	Long term Incentive Scheme
Macsteel	Macsteel Service Centres SA Proprietary Limited
Media Participants	Staff employed by the businesses being disposed of
Multimedia Ghana	Multimedia Group Limited
PDIs	Previously disadvantaged individuals
PIFSA	Printing Industry Federation South Africa
POPI	Protection of Personal Information
PPE	Property, Plant and Equipment
Printing SA	The South African federation for printing and packaging
QMS	Quality management system
QSE	Qualifying Small Enterprises
Radio Africa Kenya	Radio Africa Limited
RAM	Radio Audience measurement
Remco	Remuneration committee of Tiso Blackstar
Rise Broadcast	Rise Broadcast Proprietary Limited
Robor	Robor Proprietary Limited
ROCE	Return on capital employed
the reporting period	The year ended 30 June 2019
SA	South Africa
SA Companies Act	South African Companies Act 71 of 2008
SAI	SAI Holdings Limited
SAICA	South African Institute of Chartered Accountants
SA Radio	South African radio businesses Rise Broadcast and Vuma
SDL	Skills Development Levy
SENS	Securities Exchange News Service of the JSE
SETA	Sector Education And Training Authority
Specific Repurchase	The repurchase of the vested FSP shares from the Media Participants should they so elect
SPV	Special Purpose Vehicle
STI	Short Term Incentives Awards
STS	Smartcall Technology Solutions Proprietary Limited
TBL	Tiso Blackstar Limited
TBG	Tiso Blackstar Group Proprietary Limited
TBG SA Group	All the equity and claims in TBG which comprises of the Media segment, and some of the Broadcast and Content businesses
TBHSE	Tiso Blackstar Holdings SE
TBSA	Tiso Blackstar SA Proprietary Limited
TBSE	Tiso Blackstar Group SE
the previous year	The year ended 30 June 2018
the Company	Tiso Blackstar Group SE
the Group	Tiso Blackstar Group SE and its subsidiaries
TIH	Tiso Investment Holdings Proprietary Limited

Glossary continued

Tiso Blackstar	Tiso Blackstar Group SE
Trading Performance	Profit before interest and tax after adding back depreciation, amortisation, straight lining of leases, share-based payment expenses and other (losses)/gains, and excludes items outside of the ordinary day-to-day activities
Transaction	The sale of TBG SA Group, Africa Radio and SA Radio
TSR	Total shareholder return
UIF	Unemployment Insurance Fund
UK	United Kingdom
UK Companies Act	United Kingdom Companies Act 2006 (as amended). An Act of the Parliament of the United Kingdom which forms the primary source of UK Company law
UPS	Uninterruptible power supply
USAID	United States Agency for International Development
VAT	Value Added Tax
Vuma	Vuma 103 FM Proprietary Limited
WSP	Workplace Skills Plan

FINANCIAL TERMS

CAGR	Calculating the compounded average growth rate
CAPEX	Capital expenditure
CGU	Cash generating unit
CPI	The consumer price index of South Africa, a primary indicator of South
CPIX	Consumer price index
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EPS	Earnings per share
FVTPL	Fair value through profit and loss
GBP	Pounds sterling
GBF	General Banking Facility
HEPS	Headline earnings per share
JIBAR	Johannesburg Inter-Bank Acceptance rate
LPS	Loss per share
NAV	Net Asset Value
NCAHFS	Non-current assets held for sale
PPA	Purchase price allocation
PBIT	Profit before interest and tax
ROCE	Return on Capital Employed
ROI	Return on investment
USD	US Dollar
WACC	Weighted average cost of capital
ZAR	South African rand

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https://www.reuters.com/article/us-emerging-investments/flows-to-emerging-markets-should-recover-in-2019-2020-iif-says-idUSKCN1RH1CU
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Corporate information

COMPANY INFORMATION

Directors
D K T Adomakoh (Non-executive Chairman)
J B Mills (Non-executive Deputy Chairman)
A D Bonamour (CEO)
M Ernzer
(Resigned 28 November 2018)
H K Mehta (Non-executive)
N L Sowazi (Non-executive)

Auditors (United Kingdom)
Deloitte LLP
1 New Street Square
London
EC4A 3BZ
United Kingdom

Nominated Advisor and Broker (South Africa)
PSG Capital Proprietary Limited
1st Floor, Ou Kollege
35 Kerk Street
Stellenbosch, 7600
South Africa
(PO Box 7403, Stellenbosch, 7599)

Legal Advisor (as to South African law)
Cliffe Dekker Hofmeyr Incorporated
1 Protea Place, Sandton
Johannesburg, 2196
South Africa
(Private Bag X40, Benmore, 2010)

Primary Main Listing
Main Board of the JSE Limited

Registered Office
Tiso Blackstar Group SE
Berkeley Square House, Berkeley Square,
Mayfair, London
W1J 6BD
United Kingdom
+44 (0) 20 7887 6018
E-mail: info@tisoblackstar.com
Website: www.tisoblackstar.com

Auditors (South Africa)
Deloitte & Touche
Deloitte Place, Building 1
The Woodlands
Woodlands Drive
Woodmead 2052
South Africa

Legal Advisor
(as to English Law)
Paul Hastings (Europe) LLP
Ten Bishops Square, Eighth Floor
London
E1 6EG
United Kingdom

Registrar and Receiving Agents (South Africa)
Link Market Services Proprietary Limited
13th Floor Rennie House
19 Ameshoff Street
Braamfontein
2000
South Africa

Shareholders' diary

Financial year End	30 June 2019
Annual General Meeting	11 December 2019