

## DIRECTORS' APPROVAL

The directors acknowledge and accept full responsibility for the preparation and integrity of the information presented in these annual financial statements.

These annual financial statements, which have been prepared in accordance with the Companies Act of South Africa and comply with International Financial Reporting Standards, were approved by the board of directors and are signed on their behalf by:



**AP Nkuna**  
Chairman



**W Kirsh**  
Chief Executive



**O Ighodaro**  
Chief Financial Officer

Sandton  
25 October 2006

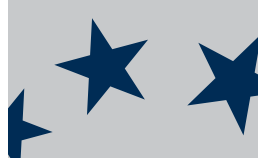
## CERTIFICATION BY COMPANY SECRETARY

In terms of section 268G(d) of the Companies Act, 1973, as amended, I, SE Sather, certify that for the year ended 30 June 2006, Primedia Limited has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act. Further, that such returns are true, correct and up to date.



**SE Sather**  
Company Secretary

Sandton  
25 October 2006



---

**REPORT OF THE INDEPENDENT AUDITORS****TO THE MEMBERS OF PRIMEDIA LIMITED**

We have audited the annual financial statements of Primedia Limited and the group set out on pages 46 to 104 for the year ended 30 June 2006. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements give a true and fair view of the financial position of the company and group as at 30 June 2006 and of the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

**Deloitte & Touche**  
*Registered Auditors*

**Per Penny Binnie**  
**Partner**

25 October 2006

---

**DIRECTORS' REPORT**

for the year ended 30 June 2006

**DIRECTORS' RESPONSIBILITIES**

The directors acknowledge responsibility for the integrity and objectivity of the annual financial statements, and all other information contained therein. In declaring this responsibility, the group maintains suitable internal control systems to provide reasonable assurance that all assets are safeguarded and that transactions are executed and recorded in accordance with group policies.

The directors, supported by the audit committee, are satisfied that the controls, systems and procedures in place minimise the possibility of material loss or misstatement. The directors are responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets and to prevent and detect material misstatement and loss. The systems are implemented and maintained by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls and systems has occurred during the year under review.

The financial statements have been prepared in accordance with the Companies Act of South Africa and comply with International Financial Reporting Standards.

**NATURE OF BUSINESS**

Primedia is a leading South African media group whose vision is to become a world-class media company. The group has an established portfolio of businesses that cover advertising, content and one to one marketing. These businesses have leading positions in the markets in which they operate.

Primedia's advertising businesses are located principally in South Africa and its broad base of assets spans both the traditional and non-traditional media sectors. This mix strategically positions Primedia well, as advertisers attempt to reach an increasingly fragmented and diverse audience. The businesses enjoy a high degree of exclusivity, derived from regulated rights to various delivery platforms, which contributes to their attractive operating margins.

The group's content businesses, also principally located in South Africa, comprise cinema exhibition, film distribution, video and DVD distribution, and electronic games distribution as well as mobile content.

The group launched Primedia Unlimited in 2004, which houses advertising and content businesses, in high growth sectors in which Primedia previously did not operate.

**GROUP RESULTS AND REVIEW OF OPERATIONS**

The results for the year ended 30 June 2006 are reflected in the attached annual financial statements.

The review of the group's businesses and operations for the year ended 30 June 2006 is contained in the reports set out on pages 12 to 28.

**SUBSIDIARIES**

Details of the company's direct interests in subsidiaries and jointly controlled entities are set out in Annexure 2 to the financial statements.

**SHARE CAPITAL**

Primedia Limited is funded by means of ordinary shares, N ordinary shares and non-redeemable, cumulative, non-participating preference shares, the summarised terms of which are detailed below:

- Each ordinary share, N ordinary share and non-redeemable, cumulative, non-participating preference share is listed and traded on the JSE.
- Each ordinary share entitles the holder thereof to one hundred votes, each N ordinary share entitles the holder thereof to one vote and the non-redeemable, cumulative, non-participating preference shares are non-voting except under certain circumstances.
- With the exception of the entitlement to votes detailed above, the ordinary shares and N ordinary shares rank *pari passu* in all respects.

At a general meeting held on 4 May 2006, shareholders approved the creation of 5 000 000 non-redeemable, cumulative, non-participating preference shares ("the preference shares") with a par value of 0,02 cent each. 1 500 000 of these shares were issued through a private placement on 16 May 2006 at R100 per share. The preference shares have a coupon of 75% of the average daily prime lending rate, and if declared, preference shareholders are entitled to a preference dividend which is payable on 31 March and 30 September each year. The funds raised through the issue of the preference shares were used as part of the general capital management programme.

As a result, the company's authorised share capital had changed during the year through the creation of the preference shares. The following changes to the company's issued share capital took place during the year under review:



- 8 000 000 N ordinary shares were issued to Mineworkers Investment Company (Pty) Limited on 18 November 2005 in terms of the Black Economic Empowerment transaction approved by the shareholders at a general meeting held on 18 November 2005; and
- 1 500 000 preference shares were issued on 16 May 2006.

Details of the authorised and issued share capital are included in note 19 to the annual financial statements and in the statement of changes in shareholders' equity.

The unissued shares are under the control of the directors until the next annual general meeting, subject to the provisions of Section 221 and 222 of the Companies Act and the requirements of the JSE.

#### DISCLOSURE RELATING TO DIRECTORS

The requisite disclosure relating to the interests of directors in options and shares of the company, as well as directors' remuneration, are detailed in note 37 and Annexure 4 to the annual financial statements.

#### DISTRIBUTIONS TO SHAREHOLDERS

An interim distribution out of share premium of 40,0 cents per share (2005: 22,0 cents per share), in lieu of dividends, was declared on 27 February 2006, awarded to ordinary and N ordinary shareholders recorded in the register of the company on 28 April 2006 and paid on 2 May 2006.

A final distribution out of share premium of 45,0 cents per share (2005: 34,0 cents per share), in lieu of dividends, was declared on 1 September 2006, to be awarded to ordinary and N ordinary shareholders recorded in the register of the company on 27 October 2006 and to be paid on 30 October 2006. In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the distribution will be accounted for in the 2007 financial year.

#### DIVIDEND TO PREFERENCE SHAREHOLDERS

The first dividend of 317 cents per share payable to the holders of non-redeemable, cumulative, non-participating preference shares was declared on 1 September 2006, and was payable to shareholders recorded in the register of the company on 29 September 2006 and paid on 2 October 2006.

#### SHARE OPTION SCHEME

The rationale for the share option scheme, together with the rights and options over allocated ordinary and N ordinary shares outstanding at 30 June 2006 and a reconciliation of the

movement for the year then ended, is fully detailed in note 38 to the annual financial statements.

#### EVENTS SUBSEQUENT TO FINANCIAL YEAR-END

Full details in respect of material events subsequent to financial year-end have been included in note 39 to the annual financial statements.

#### SPECIAL RESOLUTIONS

Special resolutions which have been adopted by the company or its subsidiaries since the date of the last annual general meeting are detailed in Annexure 2 to the annual financial statements.

#### GOING CONCERN

The directors are of the opinion that the group will be a going concern in the year ahead. In reaching this opinion, the directors considered the following factors:

- strong positive cashflows from trading;
- no material recurring operating losses;
- well controlled working capital;
- approved short-term and medium-term financing, with sufficient additional borrowing capacity if required;
- key executive management is in place;
- budgets to June 2007 reflect a continuation of the above positive trend;
- the group has no need to undertake a capital restructuring or to dispose of assets;
- the board is not aware of any material changes that may adversely impact the group relative to customers, suppliers, services or geographic markets;
- the group has adequate insurance cover against day-to-day business risks;
- the board is not aware of any material non-compliance with statutory or regulatory requirements and there are no pending legal proceedings, other than in the normal course of business or that may arise from interactions with SARS from time to time; and
- the board is not aware of any pending changes in government legislation that may adversely affect the group.

**DIRECTORATE**

The current directorate of the company is shown in pages 6 to 8.

During the year under review, the following changes to the board of directors took place:

- K Motaung, a non-executive director, resigned on 9 June 2006; and
- MN Lekota, an executive director, appointed on 9 June 2006.

In accordance with the company's articles of association, NJM Canca, I Kirsh, AP Nkuna, K Pillay and CS Seabrooke retire by rotation at the annual general meeting and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

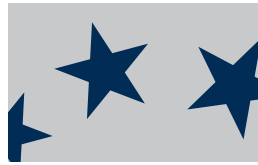
In terms of the company's articles of association, newly appointed directors are required to be elected at the next annual general meeting, MN Lekota, being eligible, offers herself for election at the forthcoming annual general meeting.

**ACQUISITIONS**

Details of the group's acquisitions during the period under review are given in note 30 to the annual financial statements.

**COMPANY SECRETARY**

The company secretary is SE Sather. His business and postal address are: 6th Floor, Primedia House, 5 Gwen Lane, Sandown, Sandton 2196 and PO Box 652110, Benmore 2010.



Primedia Limited is the holding company of the Primedia group ("the group") and is domiciled in the Republic of South Africa. These financial statements are presented in South African Rands, the currency of the primary economic environment in which the group operates, rounded to the nearest thousand, unless otherwise stated.

## BASIS OF PREPARATION

### 1. STATEMENT OF COMPLIANCE

The financial statements are prepared on a going concern basis, in accordance with International Financial Reporting Standards ("IFRS") and interpretations of those Standards, as adopted by the International Accounting Standards Board ("IASB"). These are the group's first consolidated financial statements under IFRS. An explanation of how the transition to IFRS has affected the reported financial position and the financial performance of the group is provided in note 35.

The financial statements are prepared using the historical cost convention, except for certain financial instruments that are stated at fair value.

### 2. RECOGNITION OF ASSETS AND LIABILITIES

Assets are only recognised if it is probable that future economic benefits associated with the asset will flow to the group and the cost or fair value can be measured reliably.

Liabilities are only recognised if it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

Where a legally enforceable right of offset exists for recognised assets and liabilities and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset. Otherwise, unless specifically permitted by an accounting standard, assets and liabilities are not offset.

The principal accounting policies adopted in the preparation of the financial statements are set out below and have been consistently applied throughout the group other than as disclosed in note 35.

## 3. BASIS OF CONSOLIDATION

### 3.1 Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of 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 acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the date of acquisition.

### 3.2 Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities, income, expenses and cash flows of the group and all entities controlled by the group (including special purpose entities). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal.

Inter-company transactions and balances between group entities are eliminated on consolidation.

As the company controls The Primedia Share Trust and the Kfm 94.5 Staff Share Trust, these entities have been consolidated into the group financial statements.

The minority interest in the net assets of consolidated subsidiaries is shown separately from the group equity. It consists of the amount of those interests at acquisition plus the minorities' subsequent share of changes in equity of the subsidiary. On acquisition, the minorities' interest is measured at the proportion of the pre-acquisition fair value of identifiable assets and liabilities acquired. Losses applicable to minorities in excess of their interests in the subsidiaries' equity are allocated against the group's interest, except to the extent that the minorities have a binding obligation and the financial ability to cover losses.

### 3.3 Investment in jointly controlled entities

Jointly controlled entities are those entities over which the group has joint control through a contractual arrangement with one or more other parties.

Jointly controlled entities are included in the consolidated financial statements using the proportionate consolidation method, whereby the group's share of the assets, liabilities, income, expenses and cash flows are combined on a line-by-line basis with similar items in the consolidated financial statements.

Investments in jointly controlled entities are proportionately consolidated from the date on which the group has the power to exercise joint control up to the date on which the power to exercise joint control ceases.

The group's proportionate share of all significant inter-company transactions, balances and resulting unrealised profits and losses are eliminated on consolidation.

### 3.4 Investments in associated companies

Associated companies are those entities over which the group is in a position to exercise significant influence, but not control,

## ACCOUNTING POLICIES (continued)

through participation in their financial and operating policy decisions.

The results, assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting (except when the investment is classified as held-for-sale, in which case it is accounted for as non-current asset held for sale (see accounting policy note 10 below). Interests in associates are carried in the balance sheet at cost adjusted thereafter for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. When the group's share of losses in associates equals or exceeds its interest in associates, the group does not recognise further losses unless the group has a contractual obligation in respect of those associates.

Investments in associated companies are incorporated in the consolidated financial statements from the date on which the group has the power to exercise significant influence up to the date on which the power to exercise significant influence ceases.

Where a group entity transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate.

Investments in subsidiaries, associates and joint ventures in the separate financial statements presented by the company are recognised at cost less impairment losses, if any.

#### 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Costs incurred in the construction of advertising structures are capitalised up to the date of commissioning. Cost includes the estimated cost of dismantling and removing the assets and site rehabilitation costs to the extent that they relate to the self-constructed advertising structures.

The group recognises in the carrying amount of property, equipment and vehicles, the replacement cost of parts which meet the asset definition set out in note 2 above. All other costs are recognised in the income statement as repairs and maintenance expenditure when incurred.

With the exception of land, all property, plant and equipment are depreciated on a straight-line basis at rates estimated to write each asset down to residual value over the term of its useful life. Land is not depreciated.

Where significant parts of an item have different useful lives to the item itself, these parts are depreciated over their estimated useful lives. The methods of depreciation, useful lives and residual values are reviewed annually, with changes accounted for prospectively as a change in accounting estimate. If the expected residual value of an asset is equal to or greater than its carrying value, depreciation on that asset ceases and is resumed when the

expected residual value falls below the asset's carrying value. The estimated useful lives of depreciable property, plant and equipment are as follows:

	<b>Useful life in years</b>
Buildings	50 years
Advertising structures	10 years
Motor vehicles	4 – 5 years
Plant and equipment	5 – 10 years
Office furniture, equipment, décor and computers	3 – 12 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss on the disposal or scrapping of property, plant and equipment is recognised in profit and loss.

#### 5. LEASED ASSETS

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised as property, plant and equipment, at their cash equivalent cost. The corresponding liability is included in the balance sheet as a finance lease obligation. The cash equivalent cost is the lower of the fair value of the asset and the present value of the minimum lease payments at inception of the lease.

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.

Rentals in respect of operating leases with fixed escalations are recognised as an expense on a straight-line basis over the term of the lease so as to account for the time pattern of the lessee's benefit.

#### 6. INTANGIBLE ASSETS

An intangible asset is an identifiable non-monetary asset without physical substance. It includes tradenames, copyrights and trademarks and capitalised software purchased, installation and development costs.

Intangible assets are measured initially at cost, if acquired separately or generated internally, or at fair value if acquired as part of a business combination. If assessed as having an indefinite useful life, an intangible asset is not amortised but is tested for impairment annually and impaired if necessary. If assessed as having a finite useful life, it is amortised over its estimated useful life on a straight-line basis. The estimated useful lives and residual values of intangible assets are reviewed

## ACCOUNTING POLICIES (continued)

on an annual basis. Impairment losses are recognised as an expense in the income statement.

The estimated useful lives of intangible assets are as follows:

	<b>Useful life in years</b>
Tradenames	Indefinite
Copyrights and trademarks	10
Licence	Indefinite
Software	3 – 10

## 7. GOODWILL

Goodwill represents the future economic benefits arising from assets that are not capable of being individually identified and separately recognised in a business combination. It is determined as the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associated or jointly controlled entity, recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Up to 30 June 2004, goodwill is stated at cost less accumulated amortisation and impairment. With effect from 1 July 2004 and in respect of business combinations concluded after 31 March 2004, goodwill is not amortised but is subject to an annual impairment test. Accumulated amortisation written off in previous years is not reversed.

The profit or loss realised on disposal or termination of an entity is calculated after taking into account the carrying value of any related goodwill.

To the extent that the fair value of the net identifiable assets of the entity acquired exceeds the cost of acquisitions, the excess is recognised in the income statement at the acquisition date.

## 8. IMPAIRMENT OF ASSETS

The group's assets are reviewed bi-annually or whenever events or changes in circumstances indicate that their carrying value may not be recoverable, to determine whether there is any indication of impairment. An annual impairment test is performed on all goodwill and intangible assets with indefinite useful lives.

The impairment amount recognised in the income statement is the excess of the carrying value over the recoverable amount. Recoverable amounts are estimated for individual assets or where an individual asset cannot generate cash flows independently, the recoverable amount is determined for the larger cash generating unit to which the asset belongs. The recoverable amount is the greater of fair value less cost of disposal and the value of the asset in use. In assessing its value in use, the estimated future pre-tax cash flows of an asset are

discounted to their present value using an appropriate pre-tax discount rate that reflects the current market assessment of the time value of money and the risk specific to the asset.

With the exception of goodwill, a previously recognised impairment will be reversed insofar as an estimate changes as a result of any event occurring after the impairment was recognised. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the income statement.

After the recognition of an impairment loss, any depreciation or amortisation charge for the asset is adjusted for future periods to allocate the asset's revised carrying value, less estimated residual value, on a systematic basis, over its remaining useful life.

## 9. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

A deferred tax asset represents the amount of income taxes recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits (including unused credits for secondary tax on dividends). Deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

A deferred tax liability represents the amount of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax liabilities are recognised for taxable temporary differences, unless specifically exempt.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill, negative goodwill or the acquisition of an asset which does not affect either taxable or accounting income.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

## 10. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying value will be recovered principally through a sale rather than continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition (subject to the usual and customary terms) and it is probable that the transfer will qualify for recognition as a completed sale within one year from classification.

Immediately prior to being classified as held for sale, the carrying amount of assets and liabilities are measured in accordance with the applicable standard. After classification as held for sale, it is measured at the lower of carrying value and fair value less costs to sell. A gain for any subsequent increase in fair value less costs to sell is recognised in profit or loss to the extent that it is not in excess of the cumulative impairment loss previously recognised.

Non-current assets that are classified as held for sale are not depreciated.

## 11. INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the first-in-first-out basis or weighted average method for certain classes of inventory and includes all costs of purchase and conversion and other costs incurred in bringing the inventory to its present location and condition. All damaged or sub-standard materials and obsolete, redundant or slow moving inventories are written down to their net realisable value.

Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

## 12. FINANCIAL INSTRUMENTS

Financial instruments are recognised when the group becomes a party to the contractual provisions of the instrument. Financial assets and liabilities as a result of firm commitments are only recognised when one of the parties has performed under the contract.

The fair value of financial instruments traded in an organised market is measured at the applicable quoted prices. The fair value of financial instruments not traded in an organised market is determined using a variety of methods and assumptions that are based on market conditions and risks existing at balance sheet date, including independent appraisals and discounted cash flow models.

### 12.1 Financial assets

Financial assets include cash, equity instruments of other entities, a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

#### *Trade and other receivables*

Trade and other receivables are stated at their fair value and are subsequently measured at amortised cost, using the effective interest rate method. These are reduced by appropriate allowances for estimated irrecoverable amounts based on estimated future cash flows.

#### *Investments*

Investments in securities are recognised and derecognised on a trade date basis and are initially measured at fair value. At subsequent reporting dates, where the group has the intention and ability to hold the investments to maturity, the investments are measured at amortised cost, using the effective interest rate method less any provision for impairment losses recognised to reflect any irrecoverable amounts.

Held for trading investments are classified as financial assets and are carried at fair value with any gains or losses being recognised in profit or loss. Fair value, for this purpose is market value if the investment is listed or a value arrived at by using appropriate valuation models if the investment is unlisted.

Other investments, classified as available for sale financial assets are carried at fair value with any gains or losses being recognised directly in equity.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term liquid investments that are readily convertible to cash. These are measured at fair value, based on the relevant exchange rates at balance sheet date, with changes in fair value being included in profit or loss.

#### *De-recognition*

Financial assets are de-recognised when the group's right to the cash flows expires or when the group transfers substantially all the risks and rewards related to the financial asset or when the group loses control of the financial asset. On de-recognition, the difference between the carrying amount of the financial asset and the proceeds receivable and any prior adjustment to reflect fair value that had been reported in equity are recognised in the income statement.

### 12.2 Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

The group's principal financial liabilities are interest-bearing debt and trade and other payables.

#### *Interest-bearing debt*

These include bank loans and overdrafts, finance leases and other secured or unsecured obligations, which are initially measured at fair value and are subsequently recognised at amortised cost.



---

## ACCOUNTING POLICIES (continued)

Finance costs are recognised on an accrual basis in the income statement using the effective interest method and 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 payables and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### *De-recognition*

Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired. On de-recognition, the difference between the carrying amount of the financial liability and settlement amount paid is recognised in the income statement.

### **12.3 Derivative financial instruments**

Derivative financial instruments are initially recorded at cost and are re-measured to fair value at subsequent reporting dates. Gains and losses from changes in the fair value are included in net profit or loss in the period in which the change arises.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of the host contract and the host contract is not classified as at fair value through profit or loss.

### **13. PROVISIONS**

Provisions are liabilities of uncertain timing or amount. Provisions are recognised when the group has a present or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation. Provisions are adjusted to reflect the time value of money where the effect of the discounting to present value is material.

### **14. SHAREHOLDER DISTRIBUTIONS PAYABLE**

Shareholder distributions and any related tax thereon are recognised as a liability in the period in which they are declared.

### **15. EQUITY**

All transactions relating to the acquisition and sale of shares in the group, together with their associated costs, are accounted for in equity.

Own shares purchased by the company are cancelled. Shares held by group entities are treated as treasury shares and are presented as a reduction of equity. Gains or losses on disposal of treasury shares are accounted for directly in equity.

The Primedia Trust is consolidated and, accordingly, the number of shares held by The Primedia Trust is deducted from the total shares in issue as set out in note 19.

### **16. REVENUE RECOGNITION**

Revenue is measured at the fair value of the consideration received or receivable and represents the net invoice value of goods and services provided to third parties after deducting sales and value added taxes. Sales of goods are recognised when goods are delivered and title has passed. Revenue arising from services, commission, royalties and rebates is recognised on the accrual basis in accordance with the substance of the relevant agreements.

### **17. INCOME FROM INVESTMENTS**

Interest income is accrued on a time basis, by reference to the principal amount outstanding and the effective interest rate applicable. Dividend income is recognised when the shareholders' rights to receive payment have been established.

### **18. BORROWING COSTS**

Borrowing costs are recognised in the income statement in the period in which they are incurred.

### **19. EXCEPTIONAL ITEMS**

Exceptional items cover those amounts which are not considered to be of an operating nature, and generally include profit and loss on disposal of property, investments and businesses, other non-current assets and impairments of capital items and goodwill.

### **20. TAXATION**

The charge for current tax is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible, using tax rates and laws that have been enacted or substantially enacted at the balance sheet date and includes any adjustments to tax payable in respect of prior years.

Deferred tax is recognised in the profit or loss except when it relates to items credited or charged directly to equity in which case, it is also recognised in equity.

### **21. FOREIGN CURRENCY TRANSACTIONS**

The functional currency of each entity within the group is determined based on the currency of the primary economic environment in which that entity operates.

Transactions in currencies other than the entity's functional currency are recognised at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate ruling at the settlement date or balance sheet date. Exchange differences on the settlement or translation of monetary assets or liabilities are recognised in the income statement in the period in which they are incurred.

Where appropriate, in order to hedge its exposure to foreign exchange risks, the group enters into forward exchange

contracts. See note 12.3 above for details in respect of the group's accounting policy in respect of such derivative financial instruments.

The annual financial statements of entities within the group, whose functional currencies are different from the group's presentation currency, are translated into South African Rands for incorporation in the consolidated financial statements. Assets and liabilities are translated at the exchange rate prevailing at the balance sheet date. Income, expenditure and cash flows are translated at the average exchange rates for the period. Material exceptional items are translated at the rate on the date of the transaction.

Exchange differences on the translation of the net assets of foreign entities, are recognised in equity. On subsequent disposal, the cumulative amounts of unrealised exchange differences are recognised in the income statement as part of the gain or loss on disposal.

The group used the following exchange rates for financial reporting purposes:

	2006	2005
<b>Closing exchange rate:</b>		
ZAR to USD	7,165	6,631
ZAR to GBP	13,243	12,229
ZAR to EUR	9,157	8,019
<b>Average annual rate:</b>		
ZAR to USD	6,387	6,182
ZAR to GBP	11,364	11,460
ZAR to EUR	7,776	7,854

## 22. EMPLOYEE BENEFITS

### 22.1 Short-term employee benefits

Remuneration to employees is recognised in the income statement during the period in which the employee renders the related service. Provision is made for accumulated leave and incentive bonuses.

### 22.2 Post-employment benefits

Contributions to defined contribution plans in respect of service during a particular period are recognised as an expense in the relevant period.

The cost of providing defined benefits is determined using the projected unit credit method. Valuations are conducted every three years and interim adjustments to those valuations are made annually. Past service costs, experience adjustments, the effects of changes in actuarial assumptions and plan amendments in respect of existing employees in defined benefit plans are recognised as an expense or income over the expected remaining working lives of those employees. The effects of plan amendments in respect of retired employees in

defined benefit plans are measured at present value and recognised as an expense or income in the period in which the plan amendment is made. Where there is uncertainty as to the group's entitlement to any surplus arising from a reassessment of the group's defined benefit plans, no asset or income is recorded.

### 22.3 Post-retirement medical benefits

The group's policy is not to provide post-retirement medical benefits for employees. The obligation in respect of future post-retirement medical benefits payable to pensioners and employees of certain subsidiary companies relates to the period before the new policy became effective and is accounted for as a defined benefit.

## 23. SHARE-BASED PAYMENTS

Executive directors and senior executives have been granted equity settled share options in terms of the Primedia Share Scheme. The fair value of options granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an actuarial binomial option pricing model, taking into account the terms and conditions upon which the options are granted.

The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due to share prices not achieving the threshold for vesting.

Following the issue of interpretation IFRIC 8, the group has extended the scope of IFRS 2 Share based payments to include the group's black economic empowerment initiative. Consequently, the fair value of the shares issued at par value to Mineworkers Investment Company (Pty) Limited pursuant to the group's BEE initiative has been expensed in the income statement with the corresponding increase in equity.

## 24. RESEARCH AND DEVELOPMENT COSTS

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development expenditure is recognised only if all of the following conditions are met:

- an asset is created that can be separately identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally generated assets are amortised on a straight-line basis over their estimated useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.



## 25. JUDGEMENTS MADE BY MANAGEMENT

The preparation of financial statements in accordance with International Financial Reporting Standards requires the use of certain accounting estimates. It also requires management to exercise judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements and carrying values of assets and liabilities. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised.

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that management have assessed as having a significant risk of causing material adjustments to the carrying amounts of the assets and liabilities within the next financial year.

In the current year, the areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- **Asset lives and residual values**

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

- **Impairment of assets**

Goodwill is considered for impairment at least annually. Property, plant and equipment and intangible assets are considered for impairment if there is reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset and where it is a component of a larger economic unit, the viability of that unit itself.

Future cash flows expected to be generated by the asset are projected, taking into account market conditions and the expected useful lives of the asset. The present value of these cash flows, determined using appropriate discount rates, is compared to the current net asset value and if lower, the asset is impaired to the present value.

- **Deferred tax assets**

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available in future against which they can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation and taxation rates and competitive forces. Deferred tax assets are also recognised on STC credits to the extent that it is probable that future dividends will utilise these credits.

- **Post-employment benefit obligations**

Post-retirement defined benefits are provided for certain existing and former employees. Actuarial valuations are based on assumptions which include employee turnover, mortality rates, the discount rate, the expected long-term rate of return of retirement plan assets, healthcare inflation costs and rates of increases of employee costs.

- **Valuation of financial instruments**

The valuation of derivative financial instruments is based on the market situation at balance sheet date. The value of the derivative instruments fluctuates on a daily basis and the actual amounts realised may differ materially from their value at the balance sheet date.

## 26. SEGMENTAL REPORTING

The primary basis for reporting segment information is business segments. This basis is consistent with internal reporting for management purposes as well as the source and nature of business risk and returns. All intra-segment transactions are eliminated on consolidation.

## 27. POST BALANCE SHEET EVENTS

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note.

## 28. COMPARATIVE FIGURES

Comparative figures are restated in the event of a change in accounting policy or prior period error.

## INCOME STATEMENTS

for the year ended 30 June 2006

	Notes	Group		Company	
		2006 R'000	Restated 2005 R'000	2006 R'000	2005 R'000
<b>Revenue</b>	1	<b>2 387 210</b>	1 937 769	–	–
Cost of sales		<b>(1 051 868)</b>	(850 289)	–	–
<b>Gross profit</b>		<b>1 335 342</b>	1 087 480	–	–
Other operating income		<b>25 636</b>	17 753	–	6 527
Other operating expenses		<b>(829 529)</b>	(690 194)	<b>(5 532)</b>	(6 870)
<b>Operating profit/(loss) before depreciation</b>		<b>531 449</b>	415 039	<b>(5 532)</b>	(343)
Depreciation	9	<b>(65 321)</b>	(57 151)	–	–
Amortisation of software	10	<b>(5 091)</b>	(4 688)	–	–
<b>Operating profit/(loss) before amortisation of other intangibles, share option expense, unrealised foreign exchange and exceptional items</b>		<b>461 037</b>	353 200	<b>(5 532)</b>	(343)
Amortisation of other intangible assets		<b>(4 045)</b>	(13)	–	–
Share option expense		<b>(7 570)</b>	(3 906)	–	–
Net unrealised foreign exchange (losses)/gains		<b>(5 200)</b>	117	–	(25)
Exceptional items	2	<b>(87 863)</b>	16 368	<b>(104 562)</b>	31 540
<b>Operating profit/(loss)</b>	3	<b>356 359</b>	365 766	<b>(110 094)</b>	31 172
Investment income	4	<b>12 821</b>	7 739	<b>24 094</b>	10 059
Finance costs	5	<b>(60 344)</b>	(55 073)	<b>(23 069)</b>	(15 013)
Share of associated companies' profits	6	–	457	–	–
<b>Profit/(loss) before tax</b>		<b>308 836</b>	318 889	<b>(109 069)</b>	26 218
Income tax (expense)/credit	7	<b>(102 055)</b>	(87 377)	<b>663</b>	599
<b>Profit/(loss) for the year from continuing operations</b>		<b>206 781</b>	231 512	<b>(108 406)</b>	26 817
Profit for the year from discontinued operations	18	<b>204</b>	148	–	–
<b>Profit/(loss) for the year</b>		<b>206 985</b>	231 660	<b>(108 406)</b>	26 817
<b>Attributable to:</b>					
Ordinary shareholders		<b>182 177</b>	214 320	<b>(110 035)</b>	26 817
Preference shareholders		<b>1 629</b>	–	<b>1 629</b>	–
Minority interest		<b>23 179</b>	17 340	–	–
		<b>206 985</b>	231 660	<b>(108 406)</b>	26 817
Earnings per share attributable to ordinary shareholders (cents)					
– Basic	8	<b>81</b>	96		
– Diluted	8	<b>78</b>	94		
Earnings per share from continuing operations attributable to ordinary shareholders (cents)					
– Basic	8	<b>81</b>	96		
– Diluted	8	<b>78</b>	94		

Primedia Limited  
BALANCE SHEETS

057



as at 30 June 2006

		Group		Company	
	Notes	2006 R'000	Restated 2005 R'000	2006 R'000	Restated 2005 R'000
<b>ASSETS</b>					
Property, plant and equipment	9	315 724	306 085	-	-
Goodwill and intangible assets	10	653 326	441 633	-	-
Investments in subsidiaries	11.1			673 549	570 755
Investments in associated companies	12	5 732	10 940	-	-
Other investments and loans	13	6 629	14 603	81 359	91 208
Deferred tax asset	14	116 944	124 025	14 099	13 657
<b>Non-current assets</b>		<b>1 098 355</b>	<b>897 286</b>	<b>769 007</b>	<b>675 620</b>
Inventories	15	59 307	51 767	-	-
Trade and other receivables	16	443 967	405 789	267	353
Bank balances and cash	17	60 740	4 368	-	-
Assets classified as held for sale	18	15 071	-	-	-
<b>Current assets</b>		<b>579 085</b>	<b>461 924</b>	<b>267</b>	<b>353</b>
<b>TOTAL ASSETS</b>		<b>1 677 440</b>	<b>1 359 210</b>	<b>769 274</b>	<b>675 973</b>
<b>EQUITY AND LIABILITIES</b>					
Share capital and premium	19	214 953	274 717	262 534	292 119
Non-distributable reserves	20	207 030	256 784	294 397	230 573
Share based payment reserve		119 767	8 034	119 971	8 034
Accumulated profit/(loss)		33 454	(128 093)	(107 231)	1 175
Interest of shareholders of Primedia Limited		575 204	411 442	569 671	531 901
Minority interest		9 637	30 780	-	-
<b>Total equity</b>		<b>584 841</b>	<b>442 222</b>	<b>569 671</b>	<b>531 901</b>
Interest-bearing borrowings	21	94 978	192 745	-	-
Amounts owed to vendors		3 783	-	2 039	-
Landlord inducement premium	22	14 702	21 384	-	-
Minority shareholder loans	23	25 498	27 147	-	-
Long-term provisions	24	20 099	22 699	3 633	-
Loan from jointly controlled entity	11.2			24 617	22 693
Deferred tax liability	14	77 689	65 580	-	-
<b>Non-current liabilities</b>		<b>236 749</b>	<b>329 555</b>	<b>30 289</b>	<b>22 693</b>
Trade and other payables	25	474 092	362 951	15 877	17 313
Current tax liabilities		55 133	41 951	-	516
Current portion of long-term provisions	24	83 122	70 306	-	-
Bank overdrafts and short-term borrowings	26	233 624	112 225	153 437	103 550
Liabilities associated with assets classified as held for sale	18	9 879	-	-	-
<b>Current liabilities</b>		<b>855 850</b>	<b>587 433</b>	<b>169 314</b>	<b>121 379</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 677 440</b>	<b>1 359 210</b>	<b>769 274</b>	<b>675 973</b>

## CASH FLOW STATEMENTS

for the year ended 30 June 2006

	Notes	Group		Company	
		2006 R'000	2005 R'000	2006 R'000	2005 R'000
<b>OPERATING ACTIVITIES</b>					
Cash receipts from customers		2 398 849	1 927 328	103	6 377
Cash paid to suppliers and employees		(1 918 476)	(1 537 478)	(6 851)	(6 600)
Cash generated from/(utilised in) operations	28	480 373	389 850	(6 748)	(223)
Investment income		12 861	7 808	21 688	10 059
Finance costs		(56 283)	(38 653)	(19 876)	(5 892)
Dividends (paid to minorities)/received		(94)	–	943	–
Tax paid	29	(73 765)	(69 365)	(295)	(1 605)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>363 092</b>	<b>289 640</b>	<b>(4 288)</b>	<b>2 339</b>
<b>INVESTING ACTIVITIES</b>					
Disposal of subsidiaries and businesses	30	603	–	–	–
Acquisition of subsidiaries and investments	30	(133 169)	(204 070)	–	–
Minority interests acquired		(9 595)	(191 568)	(7 305)	(8 000)
Repayments of loans advanced and investments in associates		9 822	–	–	–
Proceeds on disposal of other investments		20 876	3 215	13 689	800
Acquisition of other investments		(1 350)	(3 470)	–	(4 714)
Loans repaid to minorities		(5 813)	(2 288)	–	–
Additions to software		(13 535)	(4 108)	–	–
Additions to property, plant and equipment – to maintain operations		(49 017)	(61 939)	–	–
Additions to property, plant and equipment – to expand operations		(26 183)	(24 448)	–	–
Proceeds on disposal of property, plant and equipment		17 960	3 891	–	–
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(189 401)</b>	<b>(484 785)</b>	<b>6 384</b>	<b>(11 914)</b>
<b>FINANCING ACTIVITIES</b>					
Distribution to shareholders		(166 878)	(103 289)	(172 379)	(105 851)
(Decrease)/increase in inter-group loans		–	–	(18 366)	53 389
Net proceeds from issue of shares		138 762	29 060	138 762	29 060
Share acquisitions by The Primedia Trust		(123 045)	(50 855)	–	–
Shares disposed by The Primedia Trust		17 321	21 749	–	–
Decrease in amounts owed to vendors		(3 440)	–	–	–
Short-term borrowings (repaid)/raised		(668)	1 272	–	–
Long-term borrowings raised		2 076	269 738	–	–
Long-term borrowings repaid		(97 834)	(46 002)	–	–
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(233 706)</b>	<b>121 673</b>	<b>(51 983)</b>	<b>(23 402)</b>
Net decrease in cash and cash equivalents		(60 015)	(73 472)	(49 887)	(32 977)
Exchange rate adjustments		2 390	1 064	–	–
Cash and cash equivalents at beginning of year		(6 411)	65 997	(103 550)	(70 573)
<b>Cash and cash equivalents at end of year</b>		<b>(64 036)</b>	<b>(6 411)</b>	<b>(153 437)</b>	<b>(103 550)</b>
Bank balances and cash		60 740	4 368	–	–
Bank overdrafts		(124 776)	(10 779)	(153 437)	(103 550)
		<b>(64 036)</b>	<b>(6 411)</b>	<b>(153 437)</b>	<b>(103 550)</b>

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 30 June 2006

	Note	Share capital and premium R'000	Non-dis- tributable reserves R'000	Share based payment reserve R'000	Accumu- lated (loss) /profit R'000	Minority interest R'000	Total R'000
<b>GROUP</b>							
<b>Balance at 1 July 2004 as previously reported</b>		<b>351 362</b>	<b>305 119</b>	<b>–</b>	<b>(339 322)</b>	<b>–</b>	<b>317 159</b>
IFRS adjustments							
– Minority interest	35	–	–	–	–	40	40
– Share option expense	35	–	–	4 128	(4 128)	–	–
– Depreciation	35	–	–	–	12 328	–	12 328
SA GAAP adjustment							
– Deferred tax	35	–	(4 021)	–	(6 718)	–	(10 739)
<b>Balance at 1 July 2004 as restated</b>		<b>351 362</b>	<b>301 098</b>	<b>4 128</b>	<b>(337 840)</b>	<b>40</b>	<b>318 788</b>
Net (loss)/income recognised directly in equity		(73)	(25 089)	–	2 892	21 968	(302)
Share issue expenses		(73)	–	–	–	–	(73)
Recovery of share premium previously written off		–	(23 734)	–	–	21 968	(1 766)
Increase in tax value of trademarks previously written off against share premium		–	(2 756)	–	–	–	(2 756)
Translation reserve movement		–	1 401	–	–	–	1 401
Negative goodwill released		–	–	–	2 892	–	2 892
Net profit recognised for year		–	–	–	214 320	17 340	231 660
Shares issued during the year		29 133	–	–	–	–	29 133
Distribution to shareholders		(105 851)	–	–	–	–	(105 851)
Distribution received by The Primedia Trust		2 562	–	–	–	–	2 562
Movement in treasury shares		(2 416)	(19 225)	–	(7 465)	–	(29 106)
Share option expense		–	–	3 906	–	–	3 906
Minority interest acquired		–	–	–	–	(8 568)	(8 568)
<b>Balance at 30 June 2005 as restated</b>		<b>274 717</b>	<b>256 784</b>	<b>8 034</b>	<b>(128 093)</b>	<b>30 780</b>	<b>442 222</b>
Net (loss)/income recognised directly in equity		(11 240)	(1 965)	–	–	4 449	(8 756)
Share issue expenses		(11 240)	–	–	–	–	(11 240)
Recovery of share premium previously written off		–	(4 449)	–	–	4 449	–
Increase in tax value of trademarks previously written off against share premium		–	555	–	–	–	555
Translation reserve movement		–	1 929	–	–	–	1 929
Net profit recognised for year		–	–	–	183 806	23 179	206 985
Shares issued during the year		150 002	–	–	–	–	150 002
Distribution to shareholders		(172 378)	–	–	–	–	(172 378)
Distribution received by The Primedia Trust		5 500	–	–	–	–	5 500
Movement in treasury shares		(35 679)	(47 789)	–	(22 259)	–	(105 727)
Share option expense		4 031	–	3 335	–	204	7 570
BEE ownership transaction		–	–	108 398	–	–	108 398
Acquisition of subsidiaries and businesses		–	–	–	–	3 755	3 755
Minority interest acquired		–	–	–	–	(51 836)	(51 836)
Dividends declared to minorities		–	–	–	–	(894)	(894)
<b>Balance at 30 June 2006</b>		<b>214 953</b>	<b>207 030</b>	<b>119 767</b>	<b>33 454</b>	<b>9 637</b>	<b>584 841</b>

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 30 June 2006

	Share capital and premium R'000	Non-dis- tributable reserves R'000	Share based payment reserve R'000	Accumu- lated (loss) /profit R'000	Total R'000
<b>COMPANY</b>					
<b>Balance at 1 July 2004</b>	<b>368 910</b>	<b>89 648</b>	<b>–</b>	<b>(25 642)</b>	<b>432 916</b>
Net (loss)/income recognised directly in equity	(73)	140 925	4 128	–	144 980
Share issue expenses	(73)	–	–	–	(73)
Write-up of investments and loans to subsidiaries previously written off against share premium	–	140 925	–	–	140 925
Share based compensation	–	–	4 128	–	4 128
Net profit recognised for year	–	–	–	26 817	26 817
Shares issued during the year	29 133	–	–	–	29 133
Distribution to shareholders	(105 851)	–	–	–	(105 851)
Share based compensation	–	–	3 906	–	3 906
<b>Balance at 30 June 2005</b>	<b>292 119</b>	<b>230 573</b>	<b>8 034</b>	<b>1 175</b>	<b>531 901</b>
Net (loss)/income recognised directly in equity	(11 240)	63 824	–	–	52 584
Share issue expenses	(11 240)	–	–	–	(11 240)
Write-up of investments and loans to subsidiaries previously written off against share premium	–	63 824	–	–	63 824
Net loss recognised for year	–	–	–	(108 406)	(108 406)
Shares issued during the year	150 002	–	–	–	150 002
Distribution to shareholders	(172 378)	–	–	–	(172 378)
BEE ownership transaction	–	–	108 398	–	108 398
Share based compensation	4 031	–	3 539	–	7 570
<b>Balance at 30 June 2006</b>	<b>262 534</b>	<b>294 397</b>	<b>119 971</b>	<b>(107 231)</b>	<b>569 671</b>

Primedia Limited  
SEGMENT REPORT

061

for the year ended 30 June 2006

BUSINESS SEGMENTS 30 June 2006	Advertising R'000	Content R'000	Primedia Unlimited R'000	One to one marketing R'000	Central R'000	Dis- continued operation <sup>(5)</sup> R'000	Elimi- nations R'000	Total from continuing operations R'000
<b>Revenue</b>								
– External revenue	1 146 777	1 140 374	76 947	63 174	40	(40 102)	–	2 387 210
– Inter-segment sales	723	19 248	–	–	–	–	(19 971)	–
	1 147 500	1 159 622	76 947	63 174	40	(40 102)	(19 971)	2 387 210
PBIT <sup>(1)</sup>	395 308	87 596	2 251	3 786	(27 677)	(227)	–	461 037
Segment result	388 932	88 151	(708)	3 567	(123 356)	(227)	–	356 359
Investment income								12 821
Finance costs								(60 344)
Income tax expense								(102 055)
<b>Net profit for the year</b>								206 781
Capital additions <sup>(2)</sup>	46 824	33 095	6 014	2 501	301	–	–	88 735
Depreciation and amortisation	38 787	28 938	5 001	1 704	891	(864)	–	74 457
Goodwill	356 659	5 054	51 734	654	–	–	–	414 101
Segment assets <sup>(3)</sup>	470 223	377 900	34 699	36 773	55 163	(15 071)	(60 013)	899 674
Segment liabilities <sup>(4)</sup>	340 285	295 434	18 687	18 024	204 757	(9 879)	(60 013)	807 295
<b>30 June 2005 (Restated)</b>								
<b>Revenue</b>								
– External revenue	950 288	933 827	33 467	62 726	–	(42 539)	–	1 937 769
– Inter-segment sales	543	16 915	–	–	–	–	(17 458)	–
	950 831	950 742	33 467	62 726	–	(42 539)	(17 458)	1 937 769
PBIT <sup>(1)</sup>	298 761	74 950	2 785	2 095	(24 739)	(652)	–	353 200
Segment results	293 951	89 384	2 073	2 251	(21 241)	(652)	–	365 766
Investment income								7 739
Finance costs								(55 073)
Share of associated companies' profits								457
Income tax expense								(87 377)
<b>Net profit for the year</b>								231 512
Capital additions <sup>(2)</sup>	34 962	50 442	3 138	1 719	234	–	–	90 495
Depreciation and amortisation	33 288	25 505	805	1 591	1 683	(1 020)	–	61 852
Goodwill	195 372	5 054	22 710	654	–	–	–	223 790
Segment assets <sup>(3)</sup>	422 256	373 594	14 933	28 439	49 808	–	(112 839)	776 191
Segment liabilities <sup>(4)</sup>	334 873	339 924	5 855	15 297	191 496	–	(112 839)	774 606

<sup>(1)</sup> Operating profit before amortisation of intangibles other than software, share option expense, unrealised foreign exchange items and exceptional items.

<sup>(2)</sup> Includes capital expenditure on software.

<sup>(3)</sup> Includes property, plant and equipment, software and current assets other than assets held for sale and overpaid taxes.

<sup>(4)</sup> Includes interest-bearing borrowings, landlord inducement premium, provisions, trade payables, bank overdrafts and short-term borrowings but excludes tax liabilities, amounts owed to vendors and liabilities associated with assets classified as held for sale.

<sup>(5)</sup> Refer to note 18 regarding the discontinuance of the group's UK one to one marketing business.

## SEGMENT REPORT

for the year ended 30 June 2006

GEOGRAPHICAL SEGMENTS	South Africa		International		Total group	
	2006	2005	2006	2005	2006	2005
	R'000	R'000	R'000	R'000	R'000	R'000
Revenue from continuing operations	<b>2 387 210</b>	1 937 769	–	–	<b>2 387 210</b>	1 937 769
PBIT from continuing operations <sup>(1)</sup>	<b>460 650</b>	353 245	<b>387</b>	(45)	<b>461 037</b>	353 200
Segment results from continuing operations	<b>356 017</b>	366 258	<b>342</b>	(492)	<b>356 359</b>	365 766
Capital additions <sup>(2)</sup>	<b>88 008</b>	89 853	<b>727</b>	642	<b>88 735</b>	90 495
Depreciation and amortisation	<b>74 457</b>	61 852	–	–	<b>74 457</b>	61 852
Segment assets <sup>(3)</sup>	<b>872 512</b>	745 999	<b>27 162</b>	30 192	<b>899 674</b>	776 191
Segment liabilities <sup>(4)</sup>	<b>790 736</b>	765 729	<b>16 559</b>	8 877	<b>807 295</b>	774 606

<sup>(1)</sup> Operating profit before amortisation of intangibles other than software, share option expense, unrealised foreign exchange items and exceptional items.

<sup>(2)</sup> Includes capital expenditure on software.

<sup>(3)</sup> Includes property, plant and equipment, software and current assets other than assets held for sale and overpaid taxes.

<sup>(4)</sup> Includes interest-bearing borrowings, landlord inducement premium, provisions, trade payables, bank overdrafts and short-term borrowings but excludes tax liabilities, amounts owed to vendors and liabilities associated with assets classified as held for sale.