CAXTON

ANNUAL REPORT

2006

Caxton and CTP Publishers and Printers Limited

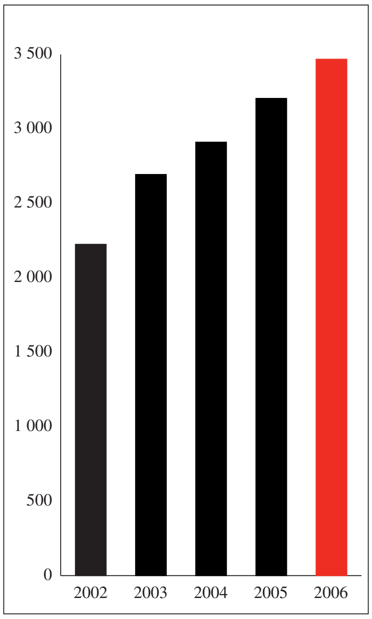
Turnover **R3 468 million**

Profit before tax **R733 million**

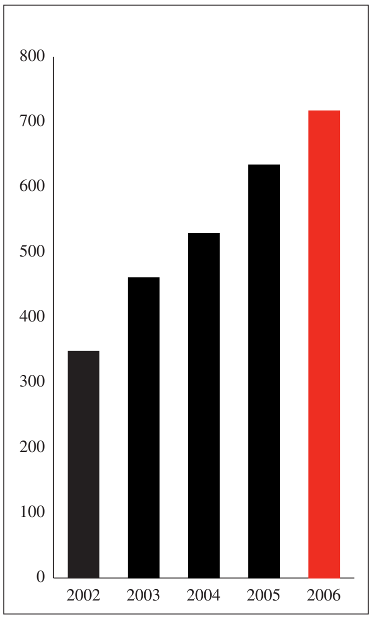
Cash generated by operations **R717 million**

Cash resources **R859 million**

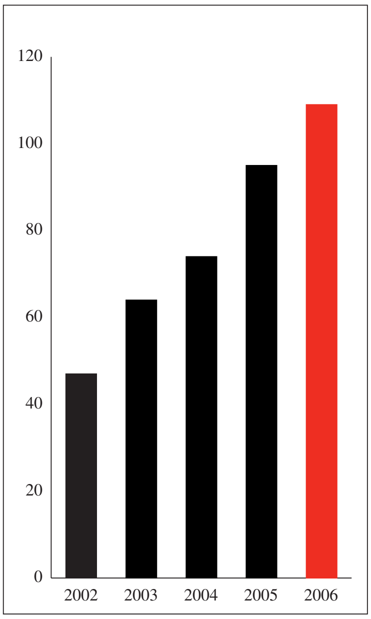
Revenue



EBITDA



EPS



Highlights

	IFRS 2006 R'm	Restated IFRS 2005 R'm	2004 R'm	2003 R'm	2002 R'm
Income statement and cash flow					
Revenue	**3 468**	3 205	2 911	2 694	2 225
Operating profit before depreciation and amortisation	**733**	650	498	434	359
Finance income	**109**	80	83	122	91
Earnings attributable to ordinary shareholders	**520**	442	334	256	182
Diluted headline earnings per share (cents)	**109**	95	74	64	47
Cash generated by operations	**717**	634	529	461	348
Balance sheet					
Shareholders' equity	**3 296**	2 643	2 339	2 200	2 033
Total assets	**4 347**	3 414	3 119	2 875	2 609
Cash and cash equivalents	**859**	1 119	963	978	951
Other information					
Weighted average number of shares in issue (000's)	**477 156**	453 450	456 114	416 293	371 150
Net asset value per share (cents)	**683**	588	513	478	441
Number of employees	**5 776**	5 291	5 239	5 258	5 380

CAXTON AND CTP PUBLISHERS AND PRINTERS LIMITED

ANNUAL REPORT

FOR THE YEAR

ENDED 30 JUNE 2006

Directorate and administration

Directorate	**(*Non-executive directors)**
Dr F. van Zyl Slabbert* *(Chairman)*	
T.D. Moolman *(Chief Executive Officer)*	
G.M. Utian *(Managing Director)*	
Dr J.M. Buitendag*	Resigned 15 February 2006
P.C. Desai*	
F.T. Gatefield*	
P.G. Greyling	
T.J.W. Holden	Appointed 15 February 2006
P.M. Jenkins*	
A.C.G. Molusi*	Resigned 23 August 2006
M.D.W. Short	Resigned 15 February 2006
P. Vallet*	

Secretary

N. Sooka

Business address

16 Wright Street
Industria West
Johannesburg, 2093

Postal address

PO Box 43587
Industria, 2042

Registered office

16 Wright Street
Industria West
Johannesburg, 2093

Auditors

PKF (JHB) Inc.
PKF House
15 Girton Road
Parktown
Johannesburg, 2193

Attorneys

Fluxmans Attorneys
11 Biermann Avenue
Rosebank
Johannesburg, 2196

Bankers

ABSA Bank Limited
ABSA Towers, Johannesburg, 2001

First National Bank
Bank City, Johannesburg, 2001

Transfer secretaries

Computershare Investor Services 2004 (Pty) Limited
70 Marshall Street, Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Company registration no.

1947/026616/06

CAXTON AND CTP PUBLISHERS AND PRINTERS LIMITED AND ITS SUBSIDIARIES

Managing Director's Report

Group performance

The group has once again produced good results for the year. The South African economy experienced strong growth throughout the period and retailers in particular achieved increased sales, in many instances, above their own expectations. Durable sales reached record levels and this environment created a climate for increased spending on advertising.

It is only recently that the South African currency has weakened and the strength of the Rand during the year resulted in input costs remaining stable or in respect of certain raw materials, even decreasing. Turnover growth at 8,2% for the year was positive after having taken inflation into account, but the commercial printing market remained highly competitive. Market share has nevertheless been maintained or increased in all areas in which the company operates.

World economic growth appears to be faltering and inflation is again looming as one of the most demanding problems that have to be dealt with and this is once again putting pressure on interest rates, where throughout the globe, rates are now increasing. It is not inconceivable that the years of plenty that the South African consumer has been enjoying could be entering a new phase.

Shareholders will recall that a decision was taken some time ago to expand the gravure printing facilities in Durban and erect a new factory in Johannesburg. Unfortunately a foundation problem was encountered in Durban which has delayed this project by several months and this plant is now only planned to be operational by February 2007. The new factory in Johannesburg has however proceeded according to plan and the first phase of the project was commissioned in June and it is anticipated that the entire project will be completed towards the end of the calendar year.

With this vast amount of additional capacity having become available and in accordance with the requirements of International Financial Reporting Standards ("IFRS"), the useful life of the major items of equipment was examined and reassessed. This exercise has resulted in an additional amount of R20 million being written off by way of depreciation and impairment. The commensurate charge to the income statement will be somewhat larger in future years as a consequence of the useful life of this equipment having been reduced.

The year under review has seen the finalisation of the capital upgrade programmes on the newspaper plants which were in different phases at the close of the previous financial year. Six regional newspaper factories have been totally re-equipped and major factories in Cape Town and Durban have been built, equipped and successfully commissioned. In addition the Johannesburg factory has been extensively upgraded.

This expenditure places newspaper publishing and printing in an extremely good position to deal with the printing of new national products and the expansion of the company's own publications.

Financial review

Turnover for the year increased by 8,2% to R3 468 million. Operating profit before depreciation and amortisation grew by 12,7% from R650 million to R733 million. Depreciation increased substantially by R33 million to R127 million, which reflects the additional write off previously referred to and the start up of equipment installed during the year. Notwithstanding an intensely competitive trading environment and the increased write off of depreciation, the trading margin reached a record level of 17,5%.

Net finance income amounted to R109 million and includes the surplus on the disposal of investments considered to be non-core to the company's ongoing operations.

The share of income from associates before tax increased from R12 million to R19 million and reflects the improved performance of the majority of such associated investments. It also includes for the first time the company's share of profits arising out of the investment in Ramsay Son & Parker (Pty) Limited.

Profit before taxation was up by 13,3% to R734 million. Taxation including Secondary Tax on Companies, which amounted to R208 million, fell from an effective rate of 31% to 28%. This decrease is mainly due to the change in the funding model of the company where a number of listed bank preference shares have been acquired and the dividends thereon are not taxable. The taxation rate was somewhat lower resulting from the allowances on the new equipment having been brought into operation.

After providing for profits attributable to outside shareholders and preference dividends, earnings attributable to shareholders amounted to R520 million. This is 17,5% up on the comparable figure in the previous financial year.

In December 2005, forty million shares were issued in terms of the Equity Based Incentive Scheme for employees. This has led to the number of shares in issue having increased to 494 939 628. The weighted average number of shares in issue for the year calculates out at 477 155 923 and it is this number of shares which forms the basis for calculating the earnings per share. Additionally a subsidiary bought back 9 449 613 of the company's shares during the year and these shares, which we hold as Treasury shares, together with those held at the commencement of the financial year amounts to a total of 12 422 855 shares. The number of shares in issue for purposes of calculating earnings per share therefore amounts to 464 733 068.

Accordingly, earnings per share were 112 cents per share which is 14,3% up on last year's earnings per share of 98 cents. Diluted earnings per share rose to 112 cents which is a 15,5% increase.

Headline earnings increased by 13,5% to 109 cents per share and diluted headline earnings were 109 cents per share an improvement of 14,7%.

Cash flow

The generation of cash from operations was once again a major feature of the year's achievements and grew to R717 million. Capital expenditure rose substantially to R508 million. During the year the company spent R129 million on acquiring shares in Johnnic Communications Limited (Johncom). Furthermore a similar amount of R127 million was expended on buying back a number of the company's ordinary shares. Certain other investments were made including a 30% shareholding in Ramsay Son & Parker, one of South Africa's foremost magazine publishers.

Inventories and accounts receivable increased mainly due to the accumulation of raw material stocks acquired to take advantage of the exchange rate that prevailed in the second half of the financial year, and the increased turnover of the company.

Divisional performance

Once again the major contributor to the improvement in the company's performance was newspaper publishing and printing. A further important feature was the reduction in the profitability of the commercial printing operations due to the pressure being placed on margins in a competitive environment and the costs associated with the start up of new equipment and the depreciation thereon.

The company's investment in academic publishing through its 50% share in Maskew Miller Longman showed an excellent return with record profits having once again been achieved.

Publishing, printing and distribution

Newspaper publishing and printing

An excellent performance was yet again recorded with both community and regional newspapers having reached new heights. Advertising spend spurred on by the consumer boom, was considerably greater and market share was gained. The roll out of the investment in the Caxton Urban newspapers was continued and these papers are performing in line with expectations.

The investment in subsidiary and supplemental products also showed good results and *"Auto Dealer"* in particular had a very good year, especially for a fledgling publication. Further investments in a number of associates occurred.

The investment in replanting the regional factories will produce good yields in the future as additional capacity for printing not only our own publications, but also other regional products will be available.

This division continued to successfully increase the number of publications under the *"Get It"* banner. These are regional community magazine publications which at this point in time are published monthly. At present there are 16 publications. It is the intention to substantially increase these highly successful publications in a market which serves a different consumer and advertiser compared with the existing newspaper offering.

The Johannesburg main newspaper factory, which upgraded its mail room equipment, had an extremely successful year and produced profits ahead of expectations.

A note of caution is that it would appear as though the two manufacturers of newsprint used for newspaper printing are running into serious capacity problems. With the growth in the industry, both of these manufacturers are showing signs of being unable to keep pace with demand and appear to be running out of supplies, especially at peak seasonal periods. This is of concern not only to the company, but to the industry and the country. In these circumstances it is critical that they undertake expansions of their facilities to cope with the country's future requirements. It is of course possible to import newsprint, but, having regard to the vast quantities utilised, it is impractical for a country, which has the natural resources available, to waste currency importing this type of product. What also has to be considered is that South Africa, unlike developed countries, where the usage of the internet is impacting on newspaper readership in the printed format, has not reached anywhere near its full potential of newspaper publishing as its population becomes more literate.

The company's daily newspaper "The Citizen" had a good year and here too market share gains in advertising revenues were made. Additional efficiencies were achieved and further investment was made into the editorial content of the publication.

During the year a new newspaper factory was built in Port Elizabeth which is now being commissioned. This factory will be run as a joint venture with Johncom.

Strong circulation growth, particularly in community and regional newspapers, continues and has necessitated further investments being made in increasing print orders to meet demand. It is interesting to note that despite an avalanche of competition from a variety of sources the overall demand for printed newspapers remains strong.

Magazine publishing

The progress this division is making is commendable having regard to the "Tidal Wave" of new titles being launched. Magazine circulation is growing in South Africa in line with the growth in gross domestic product. What is, however, of concern, on a more general note, is that the growth in advertising revenue for magazine publications is not keeping pace with circulation growth. What this means is that as more and more publications keep competing for their share of the advertising "pie", reduced revenues are being achieved by individual publications. In due course this will force publishers to increase the selling price of their publication in order to remain viable.

In turn, this will negatively impact on the ability of the consumer to purchase as many magazines as they have purchased hitherto and could result in falling circulations.

Furthermore magazine publishers have had a friendly environment for some years now as competition amongst printers intensified and the currency firmed, all of which resulted in printing costs having decreased. With the fall in the value of the currency and the spectres of inflation and increases in interest rates now looming, printing costs are expected to increase, by quite a large percentage. This must mean that publications will be under stress for survival and only the fittest will be able to take the strain of a change in circumstances.

Aided by increasing investment, the company's well run and administered magazine distribution facility, which trades as RNA, and which took the form of land and buildings and extensive systems upgrades, experienced increased business.

RNA is also actively involved in the importation of magazine publications from sources outside of South Africa.

"Woman & Home" has emerged as the leader in its field after only one year of having been launched and the company's weekly magazines have also done well. This has resulted in the launch of *"Mense"*, which is the Afrikaans equivalent of its glossy market leader sister publication, namely *"People"*.

A significant inhibiting factor apropos the sale of magazines in South Africa is the entire retail distribution channel. Unlike many Western and European countries and mainly due to a postal system that does not adequately work, subscriptions are low as an overall percentage of circulation sales. Publishers are therefore reliant on retail stores, where the supermarkets have become the major outlets. Only a small percentage of sales take place through book shops and unfortunately the supermarket chains do not provide sufficient shelf space for the expanding number of titles, let alone existing titles.

Commercial printing

Web printing

As has been previously reported, this area of the company's operations has had to deal with additional competition and it is therefore pleasing to report that no market share loss has been experienced and in fact volumes printed increased during the year. Not only have margins been depressed, as a result of the aggressive pricing by competitors, but additionally with the Rand having been as stable as it was throughout the year, raw material costs decreased as did selling prices, resulting in this division not being able to pass on its increase in costs.

With the start up of the new presses much needed efficient capacity is now available to cater for our customers' requirements, particularly over the seasonal periods when demand intensifies.

Book printing

More than satisfactory results were achieved having regard to the large capital investments made over the past couple of years. This year saw the installation of a state of the art bindery, new presses and ancillary equipment. This will allow for the cost effective production of higher volumes of educational books where volumes have increased. The division has been able to maintain the very high level of quality printing for which it is renowned.

Other

Academic publishing

The earnings growth of Maskew Miller Longman has proved to be exceptional and record earnings were again achieved. Over a ten year period, from relative obscurity, their earnings, even though only 50% of the equity is held – the other 50% being owned by the Pearson Group – the world's largest educational publisher, have become a major contributor to the company's profits.

Their ever expanding share of the education market is quite remarkable as their publications capture more attention from educators. Further successes in higher grades as the curriculum introduction starts drawing to a close bodes well for future profitability.

This success has been achieved not only in the schools market in South Africa but also in the many countries in southern Africa in which they publish.

Local higher education has also become a major contributor and local publishing will over time become a critical success factor.

Packaging

Benefits were derived from the consolidation of the gravure printing operations at the revamped and modern factory in Elandsfontein and the high speed equipment which has been installed.

The year saw the acquisition of a folded carton manufacturer and the move of the division's existing folded carton business to Elandsfontein was started, where all the Gauteng packaging operations will now be housed.

The niche packaging businesses in South Africa have generally seen falls in production and margins have been squeezed over the past number of years. The emphasis has therefore been focused on the need to become a least cost operator which objective, once all the moves have been completed, should be achieved. This will also include moving the new business, which was recently acquired and approved by the Competition Board, to Elandsfontein.

The flexible packaging operation located in Cape Town produced good results and the long established quality label division also located in Cape Town is showing signs of achieving rated capacities and profitability commensurate therewith.

Stationery

This is the area of the company's activities which did not keep up with previous levels of profitability. In the absence of volume growth and with no respite on margin pressure, it was inevitable that budgeted growth could not be reached. With the effective devaluation of the Rand it should be possible for price increases, for the first time in many years, to be passed on to customers.

Acquisitions

Reference has already been made in this commentary to the two acquisitions made during the year and reported on at the time of the release of the interim results. The acquisition of 30% in

Ramsay Son & Parker is proving to be a highly strategic purchase and there has been a flurry of activity resulting from the acquisition. They have recently launched “Wegbreek” and “Nuwe Wiel”. These new Afrikaans publications will bolster their presence in the magazine publishing industry. They also acquired a 50% interest in “Leisure Wheels” which will further add to their portfolio.

The printing and distribution of their titles is now being undertaken by the company and the changeover went well with no disruption of any nature having been experienced.

Directors

It was reported at the time of the release of the interim results that there had been a number of changes in the composition of the board of directors and in view of the role that the directors who resigned played in the company it would be remiss not to restate this fact.

Messrs M.W. Short and Dr J.M. Buitendag having reached retirement age resigned.

Mr Short was one of the founders of the company and played a pivotal role in what Caxton is today, particularly in the formulation, implementation and management of the company’s IT systems. He will continue to assist the company within the ambit of the areas in which he contributed in the past.

Dr Buitendag was the head of the Perskor Group with whom we merged in 1998 and we remain indebted to him for helping to facilitate the merger and acknowledge the contribution made by him to the South African media industry.

Our most sincere thanks go to these two special gentlemen for the immense contribution not only to the company but to the industry as a whole. Their wise counsel and guidance will be missed and we wish them good health and a well earned retirement.

Mr C. Molusi has also resigned as a director and we take this opportunity of thanking him for the contribution which he made during his tenure as a director.

We are pleased to advise that Mr T.J.W. Holden has been appointed to the board.

Separation of certain of the company’s assets

The board of directors is considering the possibility of separating a number of the company’s assets which are not part of its main stream activities into a separate vehicle which will be listed as a separate entity on the JSE Limited. This is being looked at to encourage the possibility of future diversity of shareholding and an improved focus on the core operations of the company. Any such unbundling and subsequent listing would be subject to appropriate regulatory requirements and the provision of further details to shareholders.

Prospects

The company is entering into a slightly different phase in its history. Substantial capital expenditure has been incurred and for the first time in many years, capacity to cope with our customer requirements will no longer be an issue. No further large capital investments are anticipated and there will initially be surplus capacity in newspaper and commercial printing.

We are also now in a position to efficiently print newspapers.

With the considerable expenditure on capital goes a commensurate increase in the quantum of depreciation which factor has already affected this year’s result. The forthcoming years’ results will be further impacted on as all plants and presses become fully operational.

The economy remains the “Joker in the Pack” but there is no doubt that the monetary authorities are concerned about rising levels of inflation and the exuberant expenditure of the consumer. As they tighten the economy and increase interest rates there can be no doubt that the level of growth, particularly for retailers and wholesalers, will slow down.

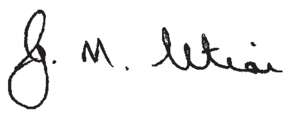
In these circumstances, the company in the absence of unforeseen circumstances would do well to grow earnings in line with inflation.

Social responsibility

In line with the company’s policy, a number of grants were made during the year to a variety of institutions. Additionally the contribution to the Chair of Journalism at the University of the Witwatersrand was maintained at a cost of R250 000.

Thanks

Our customers, suppliers and staff continue to be the pillars around which our organisation is based. Without their support, loyalty and commitment the results achieved would not have been possible. We are grateful for this support and once again take the opportunity to sincerely express our gratitude and thanks.



G.M. Utian
(Managing Director)

Caxton and CTP Publishers and Printers Limited and its subsidiaries

Corporate Governance

Caxton complies with the listing requirements of the JSE Limited in relation to the Code of Corporate Practices and Conduct as contained in the second King Report on Corporate Governance.

Board of directors

The board of directors of Caxton comprises nine directors of whom five, including the chairman, are non-executive directors. Procedures for appointments to the board are formal and transparent.

The board of directors has the following subcommittees:

Audit committee

The chairman is a non-executive director. The external auditors have unrestricted access to this committee. The audit committee, which is mandated to meet at least two times each year, reviews the effectiveness of internal control in the group with reference to the findings of the external auditors.

Other areas covered include the review of important accounting issues, specific disclosures in the financial statements and a review of major audit recommendations.

The audit committee members are: P.M. Jenkins (Chairman), P.C. Desai, P.G. Greyling, G.M. Utian and P. Vallet.

Remuneration committee

The remuneration committee comprises P. Vallet (Chairman) and T.D. Moolman.

Chairman and chief executive officer

The roles of the chairman and the chief executive officer are separate.

Board meetings

The board of directors has four meetings a year. In addition the Articles of Association of the company provide for material decisions taken between meetings to be confirmed by way of directors' written resolutions.

Executive management

The executive committees of the respective companies and divisions meet monthly with senior management to consider issues relevant to the entity's performance.

Financial statements

The company's directors are responsible for preparing the company and group financial statements and other information presented in the annual report in a manner that fairly presents the financial position and results of the operations of the company and the group for the year ended 30 June 2006.

The external auditors are responsible for carrying out an independent examination of the financial statements in accordance with International Standards on Auditing and reporting whether the financial statements are in accordance with International Financial Reporting Standards ("IFRS") and the Companies Act in South Africa. The auditors' report is set out on page 8 of these financial statements.

The annual financial statements set out on pages 9 to 32 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). They are based on appropriate accounting policies, which have been consistently applied, except as noted in the accounting policies note, and are supported by reasonable and prudent judgments and estimates. Adequate accounting records have been maintained throughout the year under review.

Internal control

Caxton maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for the assets of the group and its stakeholders. These controls are based on established policies and procedures and are implemented by trained personnel with an appropriate segregation of duties. All employees are expected to maintain the highest ethical standards in a manner which, in all reasonable circumstances, is above reproach.

The effectiveness of these controls and systems are monitored through adherence to performance standards and by the aid of internal control procedures and checklists.

Nothing material has come to the attention of the directors or the external auditors, based on their tests of internal controls, to indicate that any material breakdown in the functioning of the above mentioned internal controls and systems has occurred during the year under review.

Management reporting

The company has established a comprehensive management reporting discipline, which includes the preparation of annual budgets by all companies and divisions in the group. Performance relative to budget and prior years is monitored on a regular basis and reported to the board.

Employee equity

In accordance with the requirements of the Employment Equity Act, reports governed by staff complement or annual turnover have been submitted to the Employment Equity Registry by each division within the group.

An analysis by gender and race of the group staff complement is conducted annually and the most recent analysis shows that in excess of 80 percent of the complement fall into the category defined as previously disadvantaged.

The policy outlined in the 2005 annual report is unchanged but bears repeating:

"The company's policy is that no employee would be dismissed or forced to take early retirement to provide an opportunity for the employment of a person defined as previously disadvantaged. In filling vacancies which do arise, there is a predisposition towards applicants who are defined as previously disadvantaged, but the ultimate selection is determined by the applicant's skills levels and the most qualified is selected".

We have progressed further in addressing the skills shortage, which we identified amongst previously advantaged persons in the industries in which we operate.

The training division which has been established to improve the progress continues to make excellent strides and 97 learners are now under training. Those whose training has been completed have been placed in a number of the company's operations. The Cadet School is also progressing according to plan and at any moment in time 20 individuals are being trained.

Going concern

After making enquiries the directors have no reason to believe that the company will not be a going concern in the year ahead. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Company Secretary's report

To the best of my knowledge and belief, the company has lodged with the Registrar of Companies in Pretoria, all returns required by the Registrar to be submitted and such returns are true and correct and reflect the latest information applicable to the company.

N. Sooka
(Company Secretary)

29 September 2006

Caxton and CTP Publishers and Printers Limited and its subsidiaries

TEN YEAR REVIEW – SALIENT FEATURES

	2006*	2005*	2004	2003	2002	2001	2000	1999**	1998	1997
Gross turnover (Rm)	4 193	3 826	3 439	3 234	2 561	2 380	2 258	2 598	1 245	1 119
Income before taxation (Rm)	734	648	497	438	362	320	265	465	200	145
Earnings attributable to ordinary shareholders (Rm)	520	442	334	256	182	174	158	321	130	96
Weighted average number of shares in issue during the period (000's)	477 156	453 450	456 114	416 293	371 150	371 150	383 750	379 020	323 370	314 170
Earnings per ordinary share (cents)	112	98	73	61	49	47	43	85	40	31
Diluted earnings per share (cents)	112	97	72	60	47	45	41	55	–	–
Diluted headline earnings per share (cents)	109	95	74	64	47	48	42	55	–	–
Dividends/distribution per ordinary share (cents)	45	40	35	30	20	20	–	10	12	5
Special dividend per ordinary share (cents)	–	–	–	–	–	–	–	10	–	–
Dividend cover (times)	2	2	2	2	2	2	–	8	3	6
Ordinary shareholders' equity (Rm)	3 296	2 642	2 332	2 196	1 637	1 512	1 337	1 323	538	451
Net current assets (Rm)	1 120	1 381	1 300	1 355	1 271	1 097	925	936	233	171
Net asset value per share (cents)	683	588	513	478	441	408	366	371	167	144
Number of employees	5 776	5 291	5 239	5 258	5 380	5 235	5 605	5 435	3 496	3 159

* IFRS compliant. All other years GAAP compliant

** 15 month reporting period

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

CAXTON AND CTP PUBLISHERS AND PRINTERS LIMITED

We have audited the annual financial statements and the group annual financial statements of Caxton and CTP Publishers and Printers Limited set out on pages 9 to 32 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.

Scope

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 that 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;
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion the financial statements fairly present, in all material respects, the financial position of the company and the group at 30 June 2006 and the results of their operations, cash flows and changes in equity for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa.

PKF

PKF (JHB) Inc.
Registered Accountants and Auditors
Chartered Accountants (SA)

Johannesburg
29 September 2006

Caxton and CTP Publishers and Printers Limited
Directors' report

Review of business operations

Gross turnover for the year increased by R367,2 million (2005: R386 million) to R4 193 million (2005 R3 826 million). Profit from operating activities increased by R49,7 million (2005: R136,8 million) to R605,9 million (2005: R556,3 million). Net finance income received amounted to R109,8 million (2005: R79,6 million) with capital expenditure during the year totalling R508 million (2005: R280 million). Net cash resources amounted to R859 million (2005: R1 119 million).

Ordinary dividend

A dividend of 45 cents (2005: 40 cents) per share has been declared on 23 August 2006, payable on 23 October 2006 to shareholders registered on 13 October 2006.

Preference dividend

A 6% preference dividend of 12 cents (2005: 12 cents) per share and a participating preference dividend of R4,01 (2005: R3,26) per preference share has been declared on 23 August 2006, payable on 23 October 2006 to shareholders registered on 13 October 2006.

Share capital

Particulars of the authorised and issued share capital of the company are set out in note 11 of the financial statements.

Holding company

The company's holding company is Caxton Limited and its ultimate holding company is Modern Media (Proprietary) Limited.

Subsidiary companies

Particulars of subsidiary companies are set out on page 31 . The aggregate attributable interest of the company in the after tax profits and losses of the subsidiaries were:

	R000	
	2006	2005
	R000	R000
Profits	**464 032**	398 014
Losses	**(2 164)**	(1 507)
	461 868	396 507

Share incentive schemes

There are two employee share incentive schemes that have been closed and no further allocations of shares will be made from these schemes:

- the Caxton and CTP Publishers and Printers Limited Share Option Scheme (formerly CTP Holdings Limited) which was established in 1996
- the Caxton and CTP Publishers and Printers Limited Purchase Scheme (formerly Caxton Publishers and Printers Limited) which was established in 1998.

During this financial year an equity based incentive scheme was implemented.

Share option scheme

The strike price of the option was the market price of the company's share of R4,20 and R5,01 on the grant dates. These share options are exercisable over ten years at the company's closing share price on the JSE Limited on the exercise date. The amount expensed in the income statement is the difference between the strike price and the closing share price on 30 June 2006 of R14,99 (June 2005: R10,80) multiplied by the share options outstanding.

Details of share options movement during the period:

	Number of options	Weighted average exercise price
Outstanding on 1 July 2005	5 176 700	
Exercised during the year	(4 076 700)	R13,86
Granted during the year	–	
Lapsed during the year	(400 000)	
Outstanding on 30 June 2006	700 000	
– directors	700 000	
– other employees	–	
Number of participants	1 (2005: 39)	

Share purchase scheme

The purchase price was the market price of the company's share price on the grant date.

Details of shares movement during the period

	Number of shares
Outstanding on 1 July 2005	237 500
Taken up during the year	(50 000)
Lapsed during the year	–
Outstanding on 30 June 2006	187 500
– directors	150 000
– other employees	37 500
Number of participants	2 (2005: 2)

Directorate and Secretary

The names of the present directors, the secretary and his addresses are set out on page 1 of this report. In terms of the Articles of Association Mr F.T. Gatefield and Mr P. Vallet retire as directors and, being eligible, offer themselves for re-election.

At the date of this report and 30 June 2006 the directors' beneficial shareholding in the company amounted to:

Directors	2006 Direct	2005 Direct	2006 Indirect	2005 Indirect
F.T. Gatefield	–	–	–	1 995 638
P.G. Greyling	1 325 000	1 325 000	–	–
T.J.W. Holden	–	–	50 000	–
T.D. Moolman	–	–	17 459 196	17 219 196
G.M. Utian	60 000	60 000	2 010 579	2 010 579
TOTAL	1 385 000	1 385 000	19 519 775	21 225 413

The Moolman & Coburn Partnership, through various intermediate companies controlled by them, controls Caxton Limited, which holds 37,82% of the issued ordinary shares of Caxton and CTP Publishers and Printers Limited. Caxton Limited controls a further 8,29% of Caxton and CTP Publishers and Printers Limited through its control of Caxton Share Investments (Pty) Limited. The Moolman & Coburn Partnership and its intermediate companies control an additional 6,93% and its associates acting in concert, hold a further 3,7% of the issued ordinary shares of Caxton and CTP Publishers and Printers Limited. It therefore controls a total of 56,7% of the issued ordinary shares of the company.

The directors do not have any non-beneficial shareholdings in the company.

Shareholder spread

At the year end, the ordinary shares of the company were held by the following categories of shareholders:

	Number of shareholders	% of shareholders	Number of shares held	% of shares held
Non-public shareholders				
Group directors	7	0,34	22 616 424	4,69
Caxton Share Investments (Pty) Limited	1	0,04	40 000 000	8,29
Shareholders holding more than 10% of the issued ordinary shares				
– Johnnic Communications Limited	1	0,04	80 065 330	16,59
– Caxton Limited	1	0,04	182 479 476	37,82
	10	0,46	325 161 230	67,39
Public shareholders	2 193	99,46	157 355 543	32,61
Sub total	2 203	99,92	482 516 773	100,00
Shares held by a subsidiary	1	0,04	12 235 355	–
Trustees of employee share scheme	1	0,04	187 500	–
Total	2 205	100,00	494 939 628	100,00

According to the records of the company, other than as indicated above, no shareholder held five per cent or more of the company's shares at 30 June 2006.

Subsequent events

The directors are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with in the report or group annual financial statements that would significantly affect the operations of the group or the results of those operations.

Approval of the annual financial statements

The annual financial statements, which appear on pages 9 to 32, have been approved by the board and are signed on its behalf by:

G.M. Utian	**T.D. Moolman**
Managing Director	*Chief Executive Officer*

Johannesburg
29 September 2006

Caxton and CTP Publishers and Printers Limited
Balance sheets at 30 June 2006

COMPANY				GROUP	
2005	**2006**			**2006**	2005
R000	**R000**	Notes		**R000**	R000
			ASSETS		
–	**–**	2	PROPERTY, PLANT AND EQUIPMENT	**1 587 766**	1 209 903
–	**–**	3	INTANGIBLE ASSETS	**6 182**	7 076
1 401 811	**2 059 276**	4	INTEREST IN SUBSIDIARIES	**–**	–
32 180	**59 943**	5	INVESTMENTS IN ASSOCIATES	**94 021**	55 419
114 260	**663 485**	5	INVESTMENTS	**666 845**	125 539
1 548 251	**2 782 704**			**2 354 814**	1 397 937
			CURRENT ASSETS		
–	**–**	6	Inventories	**461 936**	361 814
505	**10 329**	7	Accounts receivable	**669 593**	532 793
–	**–**		Taxation	**1 281**	2 610
205 706	**316 989**	8	Preference shares – listed	**316 989**	205 706
95 000	**–**	9	Preference shares – unlisted	**–**	95 000
40 000	**235 000**		Other instruments – unlisted	**235 000**	40 000
98 413	**23 191**	10	Bank and cash resources	**307 466**	778 587
439 624	**585 509**			**1 992 265**	2 016 510
1 987 875	**3 368 213**		**TOTAL ASSETS**	**4 347 079**	3 414 447
			EQUITY AND LIABILITIES		
11 336	**12 373**	11	SHARE CAPITAL	**12 063**	11 237
745 165	**1 149 357**		SHARE PREMIUM	**994 941**	716 592
63 669	**96 311**	12	NON–DISTRIBUTABLE RESERVES	**169 907**	137 704
440 353	**1 045 884**		DISTRIBUTABLE RESERVES	**2 107 470**	1 767 299
–	**–**	13	MINORITY INTEREST	**11 526**	9 709
1 260 523	**2 303 925**		SHAREHOLDERS' EQUITY	**3 295 907**	2 642 541
100	**100**	11	PREFERENCE SHARE CAPITAL	**100**	100
–	**–**	14	DEFERRED TAXATION	**178 349**	136 780
1 260 623	**2 304 025**			**3 474 356**	2 779 421
			CURRENT LIABILITIES		
13 080	**30 672**	15	Accounts payable	**692 852**	451 028
–	**–**	16	Provisions	**106 138**	105 503
713 895	**1 030 142**		Amounts owed to group companies	**–**	–
277	**3 374**		Taxation	**73 733**	78 495
727 252	**1 064 188**			**872 723**	635 026
1 987 875	**3 368 213**		**TOTAL EQUITY AND LIABILITIES**	**4 347 079**	3 414 447

Caxton and CTP Publishers and Printers Limited
Income statements for the year ended 30 June 2006

COMPANY 2005 R000	COMPANY 2006 R000	Notes		GROUP 2006 R000	GROUP 2005 R000
–	–	17	GROSS TURNOVER	4 192 741	3 825 575
–	–		LESS: INTER-GROUP	(724 243)	(620 742)
–	–		NET TURNOVER	3 468 498	3 204 833
–	–		OTHER OPERATING INCOME	80 511	73 857
–	–		**TOTAL OPERATING INCOME**	3 549 009	3 278 690
			CHANGES IN INVENTORIES OF FINISHED GOODS		
–	–		AND WORK IN PROGRESS	11 817	(6 843)
–	–		RAW MATERIALS AND CONSUMABLES USED	1 098 353	1 007 421
–	–	18	STAFF COSTS	674 929	609 473
		19	DEPRECIATION, AMORTISATION AND		
–	–		IMPAIRMENT EXPENSE	126 818	94 024
4 778	2 760	20	OTHER NET OPERATING EXPENSES	1 031 160	1 018 356
4 778	2 760		**TOTAL OPERATING EXPENSES**	2 943 077	2 722 431
(4 778)	(2 760)		**PROFIT/(LOSS) FROM OPERATING ACTIVITIES**	605 932	556 259
73 120	800 695	22	FINANCE INCOME	109 857	80 293
(251)	(3)	23	FINANCE COSTS	(887)	(673)
–	–		INCOME FROM ASSOCIATES	19 032	12 139
68 091	797 932		**PROFIT BEFORE TAXATION**	733 934	648 018
(16 425)	(10 858)	24	TAXATION	(208 136)	(199 845)
51 666	787 074		**PROFIT FOR THE YEAR**	525 798	448 173
–	–	13	ATTRIBUTABLE TO MINORITY INTEREST	6 277	6 198
51 666	787 074		ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	519 521	441 975
		27	EARNINGS PER ORDINARY SHARE (cents)	111,8	98,1
		27	DILUTED EARNINGS PER SHARE (cents)	111,6	97,0
		28	HEADLINE EARNINGS PER SHARE (cents)	109,0	96,0
		28	DILUTED HEADLINE EARNINGS PER SHARE (cents)	108,8	94,9
		25	DIVIDEND PER ORDINARY SHARE (cents)	40,0	35,0
		26	PREFERENCE DIVIDENDS PER SHARE (cents)	413	338
			– Fixed	12	12
			– Participating	401	326

Caxton and CTP Publishers and Printers Limited
Cash flow statements for the year ended 30 June 2006

COMPANY 2005 R000	COMPANY 2006 R000	Notes		GROUP 2006 R000	GROUP 2005 R000
(119 644)	**593 023**		**CASH FLOW FROM OPERATING ACTIVITIES**	**470 082**	455 709
(4 778)	**(2 760)**	34.1	Cash generated by/(utilised in) operations	**717 491**	633 865
(2 909)	**7 768**	34.2	Changes in working capital	**16 986**	108 840
(7 687)	**5 008**		Cash generated by/(utilised in) operating activities	**734 477**	742 705
(16 922)	**(7 760)**	34.3	Taxation paid	**(164 079)**	(200 829)
5 842	**5 912**		Net interest received	**35 316**	57 936
60 455	**771 406**		Dividends received	**48 617**	18 025
41 688	**774 566**		Net cash inflow from operating activities	**654 331**	617 837
(161 332)	**(181 543)**	34.4	Dividends paid	**(184 249)**	(162 128)
(12 157)	**(1 189 721)**		**CASH FLOW FROM INVESTING ACTIVITIES**	**(1 019 214)**	(273 728)
			Property, plant, equipment and intangibles		
–	**–**		– additions to expand operations	**(508 399)**	(279 504)
–	**–**		– proceeds from disposals	**5 127**	11 764
–	**–**			**(503 272)**	(267 740)
			Investments		
4 065	**(657 465)**	34.5	– subsidiary businesses	**–**	–
(16 222)	**(532 256)**	34.6	– associates, other investments and loans	**(515 942)**	(5 988)
(12 157)	**(1 189 721)**			**(515 942)**	(5 988)
250 594	**721 476**		**CASH FLOW FROM FINANCING ACTIVITIES**	**278 011**	(51 816)
–	**–**		Proceeds on sale of shares by Share Trust	**–**	232
–	**405 229**		Proceeds from issue of shares	**405 229**	–
283 034	**316 247**		Increase in amount owing to group companies	**–**	–
(32 440)	**–**		Own shares acquired	**(127 218)**	(52 048)
118 793	**124 778**		Net increase/(decrease) in cash and cash equivalents	**(271 121)**	130 165
294 656	**413 449**		Cash and cash equivalents at beginning of year	**1 093 623**	963 458
413 449	**538 227**	34.7	Cash and cash equivalents at end of year	**822 502**	1 093 623
25 670	**36 953**		Fair value adjustment of preference shares and other instruments	**36 953**	25 670
439 119	**575 180**		Fair value of cash and cash equivalents at end of year	**859 455**	1 119 293

Caxton and CTP Publishers and Printers Limited
Statements of changes in equity for the year ended 30 June 2006

Group **R000**	Note	Ordinary share capital	Share premium	Preference share capital	Non-distri-butable reserves	Marked to market reserves	Distri-butable reserves	Minority interest	Total
Balance at 1 July 2004 – IFRS restated		11 359	768 286	100	80 523		1 471 931	7 434	2 339 633
Share based payments ("IFRS 2")							9 579		9 579
Restated balance at beginning of year		11 359	768 286	100	80 523		1 481 510	7 434	2 349 212
Attributable earnings for the year							441 975	6 198	448 173
Ordinary dividends paid	25						(158 079)	(3 923)	(162 002)
Preference dividends paid	26						(126)		(126)
Realisation of land and buildings revaluation reserve					(2 019)		2 019		–
Share trust consolidation		20	212						232
Fair value adjustments – investments						33 530			33 530
Fair value adjustments – preference shares						25 670			25 670
Own shares acquired and cancelled		(96)	(32 241)						(32 337)
Own shares acquired by subsidiary		(46)	(19 562)						(19 608)
Costs relating to increase in authorised share capital			(103)						(103)
Balance at 30 June 2005 – IFRS restated		11 237	716 592	100	78 504	59 200	1 767 299	9 709	2 642 641
Attributable earnings for the year							519 521	6 277	525 798
Shares issued during the year		1 037	405 218						406 255
Costs relating to issue of shares			(1 026)						(1 026)
Ordinary dividends paid	25						(179 626)	(4 460)	(184 086)
Preference dividends paid	26						(163)		(163)
Realisation of land and buildings revaluation reserve					(439)		439		–
Share trust consolidation		21	1 143						1 164
Fair value adjustments – investments						21 359			21 359
Fair value adjustments – preference shares						11 283			11 283
Own shares acquired by subsidiary		(232)	(126 986)						(127 218)
Balance at 30 June 2006		**12 063**	**994 941**	**100**	**78 065**	**91 842**	**2 107 470**	**11 526**	**3 296 007**

Company **R000**	Note	Ordinary share capital	Share premium	Preference share capital	Non-distri-butable reserves	Marked to market reserves	Distri-butable reserves	Minority interest	Total
Balance at 1 July 2004 – IFRS restated		11 514	804 971	100	4 469		550 019	–	1 371 073
Attributable earnings							51 666		51 666
Ordinary dividends paid	25						(161 200)		(161 200)
Preference dividends paid	26						(132)		(132)
Own shares acquired current year and cancelled		(96)	(32 241)						(32 337)
Own shares acquired prior year and cancelled		(82)	(27 462)						(27 544)
Fair value adjustments – investments						33 530			33 530
Fair value adjustments – preference shares						25 670			25 670
Costs relating to increase in authorised share capital			(103)						(103)
Balance at 30 June 2005 – IFRS restated		11 336	745 165	100	4 469	59 200	440 353	–	1 260 623
Attributable earnings for the year		–	–		–		787 074		787 074
Shares issued during the year		1 037	405 218						406 255
Costs relating to issue of shares			(1 026)						(1 026)
Dividends paid – ordinary shareholders	25						(181 380)		(181 380)
Preference dividends paid	26						(163)		(163)
Fair value adjustments – investments						21 359			21 359
Fair value adjustments – preference shares						11 283			11 283
Balance at 30 June 2006		**12 373**	**1 149 357**	**100**	**4 469**	**91 842**	**1 045 884**	**–**	**2 304 025**

Caxton and CTP Publishers and Printers Limited
Notes to the annual financial statements
for the year ended 30 June 2006

1. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements for the year under review are in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the South African Companies Act.

Adoption of IFRS

The group has adopted IFRS for the first time for the year ended 30 June 2006 and hence IFRS 1 – First time adoption of IFRS – has been effected in the preparation of the financial statements.

The effect of the transition to IFRS is set out in note 37 to the annual financial statements.

Basis of preparation

The annual financial statements are compiled on the historical cost convention except for certain financial instruments carried at fair value and properties which have been revalued.

The principal accounting policies of the group are set out below and have been consistently applied in all material respects with those of the previous year.

1.1 Consolidation

The consolidated annual financial statements combine the financial position and the results of the operations of the company and entities controlled by the group drawn up to 30 June each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee so as to obtain the benefits of its activities. The results of the controlled entities are incorporated over the period in which the group exercises control over them. Unrealised profits arising from transactions within the group and inter company balances have been eliminated. Where necessary, accounting policies for controlled entities are changed to ensure consistency with the policies adopted by the group. The financial statements of controlled entities are prepared for the same reporting period as the parent company. The company carries its investment in controlled entities at cost less accumulated impairment losses.

1.2 Jointly controlled entities

Investments in jointly controlled entities are accounted for at cost in the holding company, and a proportionate share of the assets/liabilities/income and expenses are recognised with similar line items in the consolidated financial statements on a line by line basis. The accounting policies of the jointly controlled entities are the same as those of the group in all material respects.

1.3 Associated companies

The equity method is used to account for investments in associated companies. These are long-term investments where the interests of the group are sufficiently material to enable it to exercise significant influence over the financial and operating policies of the investee company concerned. Under the equity method of accounting the group's share of the associate's profit or loss for the year is recognised in the income statement. The group's interest in the associate is carried in the balance sheet at cost plus post acquisition changes in the group's share of the results of operations of associates. The accounting policies of the associated companies are the same as those of the group in all material respects. Provision is made for any impairment in the carrying value of the investment in associates.

1.4 Property, plant and equipment

The group's properties are all owner-occupied. Land and buildings are stated at acquisition cost and revalued on an open market value in use basis at intervals not exceeding five years. Freehold buildings are depreciated on the straight line basis to their anticipated residual value over their estimated useful life to the group. Land is not depreciated.

Plant and machinery is stated at acquisition cost and is depreciated on the straight line basis to their anticipated residual value over their estimated useful life, less any accumulated impairment losses. Furniture, equipment and vehicles are stated at acquisition cost and depreciated on a straight line basis to their anticipated residual values over their estimated useful lives.

The rates of depreciation used are:

Buildings	2%
Plant and machinery	4 – 12,5%
Vehicles	20%
Furniture and equipment	15 – 33%

The useful lives and residual values are re-assessed annually based on machine usage and industry standards.

1.5 Intangible assets

1.5.1 Goodwill

Positive goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired entity at the date of acquisition. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment.

Excess of fair value of assets and liabilities of business acquired over cost

Where the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised, exceeds the cost of the business combination, the excess is recognised immediately in profit and loss after a reassessment of the measurement of the acquiree's identifiable assets, liabilities and contingent liabilities has been performed.

1. ACCOUNTING POLICIES (continued)

1.5 Intangible assets (continued)

1.5.2 Publication titles

Newspaper and magazine publication titles arise on acquisition of newspapers and magazines and are considered to have an indefinite life. Active publication titles are stated at cost and are tested for impairments annually on the basis of profits generated using the value in use methodology. Non-active publications titles are written off in the year the newspaper or magazine ceases publication.

1.6 Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less any costs of completion and disposal. Cost is determined on the following basis:

– raw materials are valued on a first-in, first-out or average cost basis

– work in progress and finished goods are valued at raw material cost, direct labour and a proportion of manufacturing overhead expenses, based on normal capacity.

1.7 Impairment of assets

The carrying amounts of property, plant and equipment, goodwill and investments are reviewed at each balance sheet date to determine whether there is indication of impairment. If any such indication exists, the recoverable amount is estimated as the higher of net selling price and value in use. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount and the assets are written down to their recoverable amount.

1.8 Deferred taxation

Deferred taxation is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Current tax rates are used to determine deferred taxation. Provision is made for deferred taxation on the revaluation of property and on fair value adjustment on business acquisitions. Deferred taxation assets relating to temporary differences which will result in deductible amounts in future periods are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

1.9 Provisions

Provisions are recognised when the group has a present legal 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 of the amount of the obligation.

1.10 Financial instruments

Financial instruments recognised on the balance sheet include investments, accounts receivables, cash and cash equivalents and accounts payables. All financial instruments are recognised at the time the group becomes party to the contractual provisions of the instruments. All financial instruments are initially measured at cost which includes directly attributable transaction costs, being the fair value of the consideration given.

Financial assets, or a portion of financial assets, are derecognised when the group loses control of the contractual rights that comprise the financial assets. The group loses such control if it realises the rights to benefits specified in the contract, the rights expire, or if the group surrenders those rights. Financial liabilities are derecognised when they are extinguished – that is, when the obligation specified in the contract is discharged, cancelled, or expires.

Subsequently the financial instruments are measured as follows:

Investments

The company's investment in unlisted associates and subsidiaries are carried at cost less a provision for impairment. Listed and unlisted investments, other than investments in associates, subsidiaries and joint ventures are classified as available for sale or held for trading. Listed investments, unlisted investments and preference shares are initially measured at cost including transaction costs. Investments are subsequently measured at fair value with fair value adjustments recognised as a separate component of equity in respect of available for sale investments, and through the income statement in respect of held for trading investments. Fair value is determined by reference to the market value of listed and unlisted investments.

Accounts receivable

Accounts receivable, which generally have 30 to 60 day terms, are recognised at original invoice amount less an allowance for any uncollectible amounts. Accounts receivable which are of long-term nature are subsequently measured at amortised cost less an allowance for uncollectible amounts, and are classified as receivables originated by the enterprise. An estimate for doubtful debts is made when collection of any amount outstanding is no longer probable. Bad debts are written off when identified.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, cash in banks, short-term deposits, bank overdrafts and highly liquid investments. Those cash and cash equivalents that have a fixed maturity are subsequently measured at amortised cost using effective interest rates. Those cash and cash equivalents that do not have a fixed maturity are subsequently measured at cost.

Accounts payable

Accounts payable which are normally settled on 30 to 60 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the group. Accounts payable are subsequently measured at amortised cost using effective interest rates.

1 **ACCOUNTING POLICIES (continued)**

1.11 Foreign currency transactions

Foreign currency transactions are recorded at the transaction date using the spot rate. At balance sheet date all foreign currency monetary items are converted at the year end closing rate. Gains and losses on conversion are recognised in the income statement. Assets and liabilities of subsidiaries denominated in foreign currencies are translated at year-end rates. Income and expense items are translated using the annual weighted average rates of exchange. Adjustments from translation are recorded in shareholders' equity and are reflected in the income statements only upon sale or liquidation of the underlying investments. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as local currency assets and liabilities of the foreign entity and are translated at the closing rate. Foreign currency forward contracts protect the group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled. Profits or losses on forward currency contracts are calculated based on forward rates of similar contracts at year-end, and are recognised immediately in the profit for the period.

1.12 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria are adopted: turnover from net invoiced sales and circulation revenue is recognised when risk is transferred to the customer; dividend income is recognised when the last date to register for the dividend has passed; interest is recognised on a proportion basis which takes into account the effective yield on the asset over the period it is expected to be held.

1.13 Employee benefits

Contributions to the group's defined contribution plans are charged to the income statement in the periods when the services are rendered. Accruals for performance bonuses and annual leave are calculated on the basis of current salary levels.

1.14 Leases

Leases are classified as operating leases where substantially all the risk and rewards associated with ownership of an asset are not transferred from the lessor to the lessee.

2. **PROPERTY, PLANT AND EQUIPMENT (GROUP)**

Cost or valuation R'000	Freehold land and buildings	Leasehold improve-ments	Plant and machinery	Vehicles	Furniture and equipment	Total
Year ended 30 June 2006						
Opening net book value	**239 232**	**946**	**940 981**	**11 567**	**17 177**	**1 209 903**
Purchases	**79 443**	**–**	**400 508**	**6 962**	**21 249**	**508 162**
Disposal	**(3 659)**	**–**	**(257)**	**(338)**	**(358)**	**(4 612)**
Impairment	**(495)**	**–**	**(6 851)**	**–**	**–**	**(7 346)**
Depreciation	**(2 101)**	**(554)**	**(98 537)**	**(4 794)**	**(12 355)**	**(118 341)**
Closing net book value	**312 420**	**392**	**1 235 844**	**13 397**	**25 713**	**1 587 766**
Summary						
Cost	**140 367**	**1 834**	**1 749 968**	**36 505**	**111 018**	**2 039 692**
Valuation	**192 780**	**–**	**–**	**–**	**–**	**192 780**
	333 147	**1 834**	**1 749 968**	**36 505**	**111 018**	**2 232 472**
Accumulated depreciation and impairment	**(20 727)**	**(1 442)**	**(514 124)**	**(23 108)**	**(85 305)**	**(644 706)**
Net book value	**312 420**	**392**	**1 235 844**	**13 397**	**25 713**	**1 587 766**
Year ended 30 June 2005						
Opening net book value	231 302	124	771 090	10 606	18 438	1 031 560
Purchases	14 894	1 517	246 218	6 715	10 160	279 504
Disposals	(3 111)	–	(2 427)	(1 291)	(308)	(7 137)
Impairment	–	–	(4 920)	–	(6)	(4 926)
Depreciation	(3 853)	(695)	(68 980)	(4 463)	(11 107)	(89 098)
Closing net book value	239 232	946	940 981	11 567	17 177	1 209 903
Summary						
Cost	64 732	1 834	1 355 846	31 518	93 556	1 547 486
Valuation	192 780	–	–	–	–	192 780
	257 512	1 834	1 355 846	31 518	93 556	1 740 266
Accumulated depreciation and impairment	(18 280)	(888)	(414 865)	(19 951)	(76 379)	(530 363)
Net book value	239 232	946	940 981	11 567	17 177	1 209 903

2.1 The register of fixed property is available for inspection at the registered office of the company.

2.2 The fixed properties were revalued by various independent valuers on 1 October 2001.

Company 2005 R000	Company 2006 R000		Group 2006 R000	Group 2005 R000
		3. INTANGIBLE ASSETS		
		Publication titles		
		Cost or valuation		
		Opening net book value	7 076	7 076
		Purchases	237	–
		Impairment	(1 131)	–
		Closing net book value	6 182	7 076
		4. INTEREST IN SUBSIDIARIES		
1 370 917	1 373 232	Shares at cost		
30 894	686 044	Amount owing by subsidiaries		
1 401 811	2 059 276			
		The amounts owing by the subsidiaries are interest free and repayable on demand.		
		5. INVESTMENTS AND LOANS		
		5.1 Associated companies – Unlisted		
28 677	59 922	Shares at cost	59 517	28 272
–	–	Share of post acquisition reserves	29 802	16 691
28 677	59 922	Total carrying value	89 319	44 963
3 503	21	Loans	4 702	10 456
32 180	59 943		94 021	55 419
		Associated company details are set out on page 32.		
		5.2 Investments		
		Listed investments		
6 314	12 097	African Media Entertainment Limited	12 097	6 314
34 188	16 059	Johnnic Holdings Limited	16 059	34 188
57 978	220 687	Johnnic Communications Limited	220 687	57 978
–	–	Other	3 360	11 245
98 480	248 843		252 203	109 725
		Unlisted investments		
15 773	14 635	Long-term preference shares	14 635	15 773
		Caxton Share Investments (Pty) Limited		
–	400 000	– preference shares	400 000	–
7	7	Other	7	41
15 780	414 642		414 642	15 814
114 260	663 485	**Total investments**	666 845	125 539
146 440	723 428	Fair value of investments and loans	760 866	180 958
		6. INVENTORIES		
		Raw materials	333 446	221 506
		Work in progress	50 991	42 115
		Finished goods	77 499	98 193
			461 936	361 814
		Comprising		
		Inventory at cost	420 177	324 669
		Inventory at net realisable value	41 759	37 145
			461 936	361 814

Company 2005 R000	Company 2006 R000		Group 2006 R000	Group 2005 R000
		7. ACCOUNTS RECEIVABLE		
		Trade accounts receivable	588 253	492 127
		Allowance for doubtful debts	(27 196)	(32 474)
		Prepayment and deferred expenditure	11 136	14 547
505	10 329	Other accounts receivable	97 400	58 593
505	10 329		669 593	532 793
		8. PREFERENCE SHARES LISTED		
23 991	26 506	Preference shares earning a dividend, payable semi annually, of 72% of prime	26 506	23 991
102 765	103 700	Preference shares earning a dividend payable semi-annually, of 73% of prime	103 700	102 765
68 100	68 340	Preference shares earning a dividend payable semi-annually, of 70% of prime	68 340	68 100
10 850	118 443	Preference shares earning a dividend payable semi-annually, of 68% of prime	118 443	10 850
205 706	316 989		316 989	205 706
		9. PREFERENCE SHARES UNLISTED		
95 000	–	Preference shares earning a dividend, payable semi annually, of 59% of prime, redeemable 6 June 2006	–	95 000
		10. BANK AND CASH RESOURCES		
22 848	4 002	Cash on hand	177 740	278 507
75 565	19 189	Cash on call and deposit	129 726	500 080
98 413	23 191		307 466	778 587
		11. SHARE CAPITAL		
		ORDINARY SHARE CAPITAL		
		Authorised		
30 000	30 000	1 200 000 000 ordinary shares of 2,5 cents each	30 000	30 000
		PREFERENCE SHARE CAPITAL		
		Authorised		
200	200	100 000 6 % cumulative participating preference shares of R2 each	200	200
		ORDINARY SHARE CAPITAL		
		Issued		
11 336	12 373	494 939 628 ordinary shares of 2,5 cents each (2005: 453 450 243 ordinary shares of 2,5 cents each)	12 374	11 336
–	–	Less: 12 235 355 (2005: 2 973 242) shares held by subsidiary	(306)	(74)
11 336	12 373	482 704 273 ordinary shares of 2,5 cents each	12 068	11 262
–	–	Less: 187 500 shares (2005: 983 954) held by Share Trust	(5)	(25)
11 336	12 373		12 063	11 237
		PREFERENCE SHARE CAPITAL		
		Issued		
100	100	50 000 6 % cumulative participating preference shares of R2 each	100	100

The unissued shares are under the control of the directors until the next annual general meeting.

Company			Group	
2005	2006		2006	2005
R000	R000		R000	R000
		12. NON-DISTRIBUTABLE RESERVES		
		Comprises:		
4 469	4 469	Realisation reserve	32 700	32 700
–	–	Foreign currency translation reserve adjustment	(994)	(994)
–	–	Loans acquired at a discount	16 338	16 338
–	–	Surplus on revaluation of land and buildings	30 021	30 460
59 200	91 842	Fair value adjustments – investments	91 842	59 200
63 669	96 311		169 907	137 704
		13. MINORITY INTEREST		
		Balance at beginning of the year	9 709	7 434
		Share of earnings	6 277	6 198
		Dividends	(4 460)	(3 923)
		Balance at end of the year	11 526	9 709
		14. DEFERRED TAXATION		
		Balance at beginning of the year	136 780	115 109
		Income statement transfer	41 569	23 559
		Rate change	–	(3 918)
		Prior year adjustment	–	2 030
		Balance at end of the year	178 349	136 780
		Deferred taxation comprises:		
		– property, plant and equipment	211 144	175 952
		– accounts receivable	7 465	7 808
		– accounts payable	(38 023)	(44 441)
		– assessed losses	(2 237)	(2 539)
			178 349	136 780
		The benefits of the tax losses in the group have been included in deferred tax.		
		15. ACCOUNTS PAYABLE		
–	–	Trade accounts payable	335 011	260 880
13 080	30 672	Sundry accounts payable and accruals	357 841	190 148
13 080	30 672		692 852	451 028

Company 2005 R000	Company 2006 R000		Group 2006 R000	Group 2005 R000

16. PROVISIONS

			Group 2006 R000	Group 2005 R000
		Bonus		
		Opening balance	**55 885**	49 782
		Additional provisions	**46 591**	37 663
		Utilised	**(57 021)**	(31 560)
		Closing balance	**45 455**	55 885
		Leave pay		
		Opening balance	**18 561**	16 305
		Additional provisions	**10 308**	7 828
		Utilised	**(13 039)**	(5 572)
		Closing balance	**15 830**	18 561
		Volume discount allowed		
		Opening balance	**11 081**	8 470
		Additional provisions	**13 911**	12 136
		Utilised	**(13 353)**	(9 525)
		Closing balance	**11 639**	11 081
		Retrenchments		
		Opening balance	**70**	670
		Additional provisions	**2 000**	–
		Utilised	**(70)**	(58)
		Reversed	**–**	(542)
		Closing balance	**2 000**	70
		Development and other		
		Opening balance	**19 906**	29 311
		Additional provisions	**25 627**	–
		Utilised	**(14 319)**	(7 148)
		Reversed	**–**	(2 257)
		Closing balance	**31 214**	19 906
		Total provisions		
		Opening balance	**105 503**	104 538
		Additional provisions	**98 437**	57 627
		Utilised	**(97 802)**	(53 863)
		Reversed	–	(2 799)
		Closing balance	**106 138**	105 503

17. TURNOVER

The group's gross turnover has been reflected in order to provide a measure for the return generated by the group's assets and personnel. The group's turnover comprises invoiced sales and circulation revenue.

18. STAFF COSTS

			Group 2006 R000	Group 2005 R000
		– salaries, wages and bonuses	**646 514**	581 295
		– retirement benefit costs	**28 415**	28 178
			674 929	609 473

Company 2005 R000	Company 2006 R000		Group 2006 R000	Group 2005 R000
		19. DEPRECIATION, AMORTISATION AND IMPAIRMENT EXPENSE		
		Depreciation		
		– buildings and leasehold improvements	**2 655**	4 548
		– plant and machinery	**98 537**	68 980
		– motor vehicles	**4 794**	4 463
		– furniture and equipment	**12 355**	11 107
		Impairment		
		– publication titles	**1 131**	–
		– buildings	**495**	–
		– plant and machinery	**6 851**	4 920
		– furniture and equipment	**–**	6
			126 818	94 024
		During the year, the group reviewed its estimate of the useful lives of plant and machinery. This review resulted in an increase of R20 million in the depreciation charge for the year.		
		20. OTHER NET OPERATING EXPENSES		
		Income		
		Profit on sale of property, plant and equipment	**515**	5 438
		Profit on sale of investments	**–**	5 974
		Foreign currency profits	**13 744**	754
		Excess of fair value of assets and liabilities of business acquired over cost	**–**	2 882
		Fair value increase in investments	**4 318**	4 888
			18 577	19 936
		Expenditure		
		Auditors' remuneration:		
148	**171**	– audit fees	**4 292**	3 465
–	**–**	– under/(over) provision previous year	**(16)**	4
–	**–**	– fees for other services	**284**	569
148	**171**		**4 560**	4 038
		Fees for:		
		– administrative, managerial and secretarial services	**15 515**	17 198
		– royalties	**26 940**	24 112
		– technical services	**1 710**	4 923
			44 165	46 233
		Foreign currency losses	**1 660**	1 829
		Operating leases		
		– buildings	**8 843**	10 154
		– other	**2 000**	1 567
			10 843	11 721
		Loss on sale of property, plant and equipment	**–**	811
		Loss on disposal of subsidiaries	**1 023**	–

21. DIRECTORS' EMOLUMENTS

R000	Executive Directors					Non-executive Directors				
	T.D. Moolman	G.M Utian	P.G. Greyling	M.D.W Short	T.J.W. Holden	Dr. J.M. Buitendag	F.T. Gatefield	P. Vallet	Dr. F. van Zyl Slabbert	Total 2006
Directors' fees						118		150		268
Fees for services	1 980	1 800		1 125						4 905
Consulting fees							–		360	360
Basic salary			1 015		384					1 399
Bonuses			1 000							1 000
Retirement funding			65		24					89
Share options	2 232	3 780								6 012
Total 2006	**4 212**	**5 580**	**2 080**	**1 125**	**408**	**118**	**–**	**150**	**360**	**14 033**
Total 2005	1 980	2 975	1 693	1 800	–	40	–	150	360	8 998

	2006 R000	2005 R000
Paid by:		
– Subsidiaries	14 033	8 998

Messrs Desai, Jenkins and Molusi did not receive any remuneration from the company or its subsidiaries.

Details of directors' participation in the share option scheme

	Opening balance	Options exercised	Closing balance	Exercise date	Subscription price	Market price	Vesting period
T.D. Moolman	240 000	(240 000)	–	10 Mar 2006	R4,20	R13,50	Fully vested
T.D. Moolman	700 000	–	700 000		R5,01		Fully vested
G.M. Utian	350 000	(350 000)	–	4 May 2006	R4,20	R15,00	Fully vested
	1 290 000	(590 000)	700 000				

Details of directors' participation in the share purchase scheme

	Opening balance	Options exercised	Closing balance	Exercise date	Subscription price	Market price	Vesting period
T.J.W. Holden	150 000	–	150 000	10 May 2006	R5,40		2006 – 2008
	150 000	–	150 000				

Company 2005 R000	Company 2006 R000		Group 2006 R000	Group 2005 R000
		22. FINANCE INCOME		
6 093	5 915	– interest on bank deposits	36 203	58 603
11 695	25 970	– dividends: listed companies	26 324	11 725
6 300	22 292	– dividends: unlisted companies	22 293	6 300
4 610	–	– dividends: associated companies	–	–
37 850	723 144	– dividends: subsidiary companies	–	–
6 572	23 374	– net surplus on realisation of investments	25 037	3 665
73 120	800 695		109 857	80 293
		23. FINANCE COSTS		
–	–	– interest on bank overdraft	6	336
251	3	– other	881	337
251	3		887	673

Company 2005 R000	Company 2006 R000		Group 2006 R000	Group 2005 R000
		24. TAXATION		
		South African normal tax		
2 064	1 715	– current	141 785	149 667
2 021	(317)	– prior year	(2 263)	815
		Deferred tax		
–	–	– current (including rate change)	41 569	19 641
–	–	– prior year	–	2 030
12 340	6 789	Secondary tax on companies	14 455	16 788
–	2 671	Capital gains tax	2 671	1 360
–	–	Foreign tax	3 998	4 980
–	–	Associate companies	5 921	4 564
16 425	10 858		208 136	199 845
19 746	231 400	Tax at the standard rate of 29% (2005: 29%)	212 841	187 925
3 321	220 542	Difference	4 705	(11 920)
		Reconciled as follows:		
19 120	230 485	– dividend and other non-taxable income	22 302	7 718
(1 438)	(800)	– disallowable expenses	(3 958)	(3 446)
(2 021)	317	– effect of prior year	2 335	(2 760)
(12 340)	(6 789)	– secondary tax on companies	(14 455)	(16 788)
–	(2 671)	– capital gains tax	(2 671)	(1 360)
–	–	– rate differential foreign tax	–	(45)
–	–	– rate change	–	3 918
–	–	– other	1 152	843
3 321	220 542		4 705	(11 920)
		Estimated tax losses included in deferred tax:		
		– at beginning of year	8 756	17 263
		– incurred and acquired during year	5 639	3 554
		– utilised during year	(6 523)	(12 061)
		– at end of year	7 872	8 756
		25. DIVIDENDS		
161 200	181 380	Paid – ordinary	179 789	158 079
		26. PREFERENCE DIVIDENDS		
6	6	– 6% fixed portion	6	6
126	163	– participating preference dividend	163	126
132	169	**Paid**	169	132
6	6	– fixed portion	6	6
163	201	– participating portion declared, paid post year-end	201	163
169	207	**Used in calculation of dividend per share**	207	169

The participating preference portion of the preference dividend is at the rate of 0,5% for every completed 5% dividend in excess of 10% paid on the ordinary shares.

Company			Group	
2005	2006		2006	2005
R000	R000		R000	R000

27. EARNINGS PER SHARE

The calculation of earnings per share is based on earnings of	519 521	441 975

and on the weighted number of shares of 464 733 068 (2005: 449 493 047)
Diluted earnings is based on additional shares of 700 000 in respect of share options (2005: 5 176 700).

28. HEADLINE EARNINGS PER SHARE

	2006 R000	2005 R000
Earnings attributable to ordinary shareholders	519 521	441 975
Impairment in value of property, plant and equipment	8 477	4 926
Profit on disposal of property, plant and equipment	(515)	(5 438)
Surplus on disposal of investments	(23 373)	(5 974)
Negative goodwill written off	–	(2 882)
Loss on disposal of subsidiaries	1 023	–
Tax effect on above adjustments	1 443	(90)
Headline earnings	506 576	432 517

29. COMMITMENTS

	2006 R000	2005 R000
Capital expenditure on plant and machinery		
– approved but not contracted	70 000	297 000

The capital expenditure will be financed from existing resources.

Operating lease commitments

Future minimum rentals under non-cancellable leases are as follows:

	2006 R000	2005 R000
Within one year	4 105	2 548
After one year, but not more than five years	12 531	5 487
	16 636	8 035

30. CONTINGENT LIABILITIES AND FOREIGN EXCHANGE EXPOSURE

Forward exchange contracts not relating to specific items on the balance sheet but entered into to cover foreign commitments not yet due, in Rand equivalents:

	Rate of exchange	2006 R000	2005 R000
European Euro	8,41	82 040	429
US Dollars	6,88	3 709	874
British Pounds	12,38	2 965	464
Other	–	240	584
		88 954	2 351

31. BORROWING POWERS

In terms of its Articles of Association, the company's and group's borrowing powers are unrestricted.

32. RELATED PARTIES

During the year the company and its subsidiaries, in the ordinary course of business, entered into various sales and purchase transactions with fellow subsidiaries. These transactions occurred under terms that are no more or less favourable than those arranged with third parties.

Directors

Details relating to directors' emoluments and shareholdings (including share options) in the company are disclosed in note 21 and the directors' report respectively.

Company 2005 R000	Company 2006 R000		Group 2006 R000	Group 2005 R000

32. RELATED PARTIES (continued)

Controlling shareholders

Messrs T.D. Moolman and G.M. Utian are members of the Moolman Coburn Partnership together with a number of other parties. In terms of an agreement concluded in October 1977, the Partnership receives a commission on the group's advertising revenue which amounted to R34,0 million (2005: R29,3 million).
The balance owing to the partnership at the year-end amounted to R3,4 million (2005: R2,6 million)

Subsidiaries

Details of income from and investment in subsidiaries are disclosed in note 4 and in the annexure on page 31.

Associates

Details of income from associates and joint ventures are disclosed in the income statement, note 5 and in the annexure on page 32.

Shareholders

The principal shareholders of the company are detailed in the shareholders' analysis in the directors' report.

33. RETIREMENT BENEFIT PLANS

The group's main retirement benefit plans, the Hortors Group Pension and Provident Funds, are governed by the Pension Funds Act. The plans are structured as defined contribution plans as opposed to defined benefit plans. 4 856 (2005: 4 354) of the group's employees are covered by the plans.

34. NOTES TO THE CASH FLOW STATEMENT

Company 2005 R000	Company 2006 R000		Group 2006 R000	Group 2005 R000
		34.1 Cash generated by operations		
68 091	797 932	Income before taxation	733 934	648 018
–	–	Associate income	(19 032)	(12 139)
(5 842)	(5 912)	Interest received (net)	(35 316)	(57 936)
(60 455)	(771 406)	Dividends received	(48 617)	(18 025)
		Adjustment for non-cash items:		
–	–	– depreciation of property, plant and equipment	118 341	90 829
–	–	– amortisation and impairment of intangibles	8 477	3 198
(6 572)	(23 374)	– profit on disposal of investments	(25 037)	(9 639)
		– loss on disposal of subsidiaries	1 023	–
–	–	– fair value increase in investments	(4 318)	(4 888)
–	–	– net surplus on disposal of property, plant and equipment	(515)	(4 627)
–	–	– negative goodwill written off	–	(2 882)
–	–	– (profit)/loss on forex	(12 084)	1 076
–	–	– movement in provisions	635	880
(4 778)	(2 760)		717 491	633 865
		34.2 Changes in working capital		
–	–	(Increase)/decrease in inventories	(100 122)	(2 588)
830	(9 824)	Decrease/(increase) in accounts receivable	(136 800)	78 147
(3 739)	17 592	Increase/(decrease) in accounts payable	253 908	33 281
(2 909)	7 768		16 986	108 840
		34.3 Taxation paid		
(774)	(277)	Opening tax payable	(75 885)	(103 189)
(16 425)	(10 858)	Charged in income statement	(166 567)	(178 174)
–	–	Less: Associates	5 921	4 649
277	3 375	Closing tax payable	72 452	75 885
(16 922)	(7 760)		(164 079)	(200 829)

Company 2005 R000	Company 2006 R000		Group 2006 R000	Group 2005 R000
		34. NOTES TO THE CASH FLOW STATEMENT (continued)		
		34.4 Dividends paid		
(161 332)	(181 543)	Charged to reserves	(179 789)	(158 205)
–	–	Dividends of minority shareholders	(4 460)	(3 923)
(161 332)	(181 543)		(184 249)	(162 128)
		34.5 Investments – subsidiary businesses		
–	(2 315)	Acquisitions	–	–
4 065	(655 150)	Advances to/(repayments from) group companies	–	–
4 065	(657 465)		–	–
		34.6 Investments – associates and other investments		
(33 387)	(565 125)	Acquisitions	(559 975)	(35 523)
22 908	29 387	Proceeds from disposal of investments	38 279	33 644
(5 743)	3 482	(Increase)/decrease in loans	5 754	(4 109)
(16 222)	(532 256)		(515 942)	(5 988)
		34.7 Cash and cash equivalents		
98 413	23 191	Cash	307 466	778 587
300 706	316 989	Preference shares at fair value	316 989	300 706
40 000	235 000	Other instruments at fair value	235 000	40 000
439 119	575 180	Fair value of cash and cash equivalents	859 455	1 119 293
(25 670)	(36 953)	Fair value adjustment	(36 953)	(25 670)
413 449	538 227		822 502	1 093 623

35. FINANCIAL INSTRUMENTS

Exposure to currency, interest rate and credit risk arises in the normal course of the group's business. The group incurs currency risk as a result of transactions that are denominated in a currency other than SA Rands. These transactions, mainly for the import of capital equipment and inventory, are substantially hedged by utilising forward exchange contracts. Details of forward exchange contracts that do not relate to amounts on the balance sheet are given in note 30.

Bank balances carry interest rates that vary in accordance with market rates. The group is exposed to credit risk in its accounts receivable and bank balances. The group has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The group has no significant concentration of credit risk. Bank balances are all maintained at reputable financial institutions.

Accounts receivable and accounts payable, arising from normal trade transactions, are expected to be settled within normal credit terms.

Financial instruments recognised on the balance sheet include bank balances and cash, investments, accounts receivable, accounts payable and borrowings.

The carrying values of financial instruments are considered to approximate their fair value.

36. BUSINESS AND GEOGRAPHIC SEGMENTS

The group has determined that its primary reporting format for segments is based on its method for internal reporting that disaggregates its business by service or product. The group's reportable business segments are: Printing, publishing and distribution and other.

The group operates in South Africa.

GROUP	2006 R000	%	2005 R000	%
Revenue				
Publishing, printing and distribution	3 213 592	93	2 879 540	90
Other	979 149	28	946 035	29
Inter-group sales	(724 243)	(21)	(620 742)	(19)
	3 468 498	100	3 204 833	100
Operating income				
Publishing, printing and distribution	462 315	76	435 644	78
Other	143 617	24	120 615	22
	605 932	100	556 259	100
Other information				
Total assets				
Publishing, printing and distribution	1 935 835	45	1 441 934	42
Other	2 411 244	55	1 972 513	58
	4 347 079	100	3 414 447	100
Total liabilities				
Publishing, printing and distribution	755 398	72	456 230	59
Other	295 674	28	312 966	41
	1 051 072	100	769 196	100
Capital expenditure				
Publishing, printing and distribution	418 170	82	194 762	70
Other	90 229	18	84 742	30
	508 399	100	279 504	100
Depreciation				
Publishing, printing and distribution	94 107	74	65 638	70
Other	32 711	26	28 386	30
	126 818	100	94 024	100

37. COMPARATIVE FIGURES

Comparative figures have been restated to give effect to the first time adoption of IFRS.

The following are the changes:

	30 June 2005 R000	1 July 2005 R000
Equity previously reported – SA GAAP	2 614 475	2 332 099
Share based payments	16 629	9 579
Preference share capital	100	100
Minority shareholders' interest	9 709	7 434
Amortisation of publication titles	1 728	–
Equity reported under IFRS	2 642 641	2 349 212
Equity adjustments		
Retained earnings:		
Reversing share-based payments expense	16 629	9 579
Publication titles	1 728	–
	18 357	9 579
Assets and liability adjustments		
Intangible assets	1 728	–
Provisions	16 629	9 579

In addition to the IFRS adjustments the following amounts have been reclassified to more accurately reflect the nature of the transaction.

- R40 million of unlisted investments have been transferred to preference shares (cash equivalents)
- R3,7 million surplus on the realisation of investments have been separately disclosed as finance income, as opposed to other income
- the fixed component of the preference dividend has been transferred to finance cost
- income from associates has been reflected as pre tax and the tax charge has been increased accordingly.

Reconciliation of profit for the year ended 30 June 2005

	As previously reported (Audited) R000	Effect of IFRS R000	Restatements R000	IFRS restated R000
Profit from operating activities	551 146	8 778	(3 665)	556 259
Reversing share-based payments expense		7 050		
Amortisation of publication titles		1 728		
Finance income	76 628		3 665	80 293
Finance cost	(667)		(6)	(673)
Income from associates	7 575		4 564	12 139
Preference dividend	(6)		6	–
Profit before taxation	634 676	8 778	4 564	648 018
Taxation	(195 281)	–	(4 564)	(199 845)
Profit for the period	439 395	8 778	–	448 173
Attributable to:				
Ordinary shareholders	433 197	8 778	–	441 975
Minority interest	6 198	–	–	6 198
EPS (cents)	96,2	1,9	–	98,1
HEPS (cents)	94,8	1,2	–	96,0

CAXTON AND CTP PUBLISHERS AND PRINTERS LIMITED

INFORMATION RELATING TO INTEREST IN SUBSIDIARIES

NAME OF SUBSIDIARY	ACTIVITIES	ISSUED CAPITAL R	HOLDING % 2006	HOLDING % 2005	COST 2006 R000	COST 2005 R000	OWING* 2006 R000	OWING* 2005 R000
DIRECTLY HELD								
Caxton Publishers and Printers	Holding company	28 234	**100**	100	**1 354 543**	1 352 228	**686 044**	30 894
Darwain Investments	Printing	300	**60**	60	**494**	494		
Highway Mail	Publishing	100 000	**67**	67	**471**	471		
Lumedia	Publishing	100	**75**	75	**833**	833		
Noordwes Koerante	Publishing	250	**90**	90	**–**	–		
Northwest Web Printers	Printing	100	**90**	90	**–**	–		
Raylene Designs	Repro designs	100	**55**	55	**–**	–		
Ridge Times	Publishing	4 000	**67**	67	**512**	512		
Royal Albatross Properties 2	Property owning	100	**100**	–	**–**	–		
Saxton Investments	Investments	100	**100**	100	**–**	–		
Zululand Observer	Publishing	47	**60**	60	**2 497**	2 497		
INDIRECTLY HELD								
CTP Limited	Printing and publishing	2 500 718	**100**	100	**–**	–		
CTP Gravure and Web Printers (Coastal)	Printing	200	**100**	100	**–**	–		
Cold Creek Investments 105	Printing	100	**100**	–	**–**	–		
Direct Stationery UK	Stationery distributors	1 711	**100**	100	**–**	–		
Donua Designs	Stationery distributors	400	**100**	100	**–**	–		
Erfrad 13	Property owning	100	**100**	100	**–**	–		
Highway Printers	Printing	100	**100**	100	**–**	–		
Impala Stationery Manufacturers	Stationery manufacturer	90 000	**100**	100	**–**	–		
Kagiso Publishers	Printing	700	**100**	100	**–**	–		
Pecanview Properties	Property owning	1	**100**	100	**–**	–		
Project Northwards	Property owning	166	**100**	100	**–**	–		
Racing Network	Publishing	1 000	**100**	100	**–**	–		
Rorke Outsourcing	Computer consultancy	100	**100**	100	**–**	–		
The Citizen Limited	Holding company	3 195 161	**100**	100	**–**	–		
The Citizen (1978)	Publishing	3	**100**	100	**–**	–		
Thuthuka Packaging	Printing	14 815	**100**	100	**–**	–		
Tight Lines	Publishing	180	**100**	100	**–**	–		
					1 359 350	1 357 035	686 044	30 894

All private companies unless otherwise stated and are all incorporated in the Republic of South Africa.

* The amounts owing are interest free and repayable on demand

JOINTLY CONTROLLED ENTITIES								
Maskew Miller Longman Holdings	Publishing	50 000	**50**	50	**13 882**	13 882	**–**	–
MCS Caxton International Press	Distribution	100	**50**	50	**–**	–	**–**	–
					13 882	13 882	**–**	–
					1 373 232	1 370 917	**686 044**	30 894

CAXTON AND CTP PUBLISHERS AND PRINTERS LIMITED

INFORMATION RELATING TO ASSOCIATED COMPANIES

ASSOCIATE	ACTIVITIES	ISSUED CAPITAL R	HOLDING % 2006	HOLDING % 2005	COST 2006 R000	COST 2005 R000	OWING* 2006 R000	OWING* 2005 R000
Capital Media	Newspaper publisher	4	50	50	–	–	–	–
Carpe Diem	Magazine publisher	120	30	30	3 000	3 000	12	3 000
FBC Properties	Property owning	100	50	50	1 350	1 350	107	407
Heraut Publiseerders	Newspaper publisher	100	49	49	189	189	(24)	225
Hutton Trading	Advert delivery	120	30	–	750	–	–	–
Ince Holdings	Printer	1 000	16	16	787	787	(480)	1 644
Leo Kantoor Meubels	Property owning	100	50	50	(7)	(7)	–	–
Lincroft Book	Newspaper publisher	100	40	40	85	85	(70)	–
Lonehill Trading	Magazine publisher	120	45	–	1 170	–	828	–
Merpak	Envelope manufacturer	2 857	40	40	15 096	15 096	(1 200)	–
Mooivaal Media (March)	Newspaper publisher	25 000	50	50	1 565	1 565	(5 500)	–
Nachas Reproduction	Typesetting	500	50	50	–	–	(500)	–
Ramsay Son & Parker	Magazine publisher	24 000	30	–	30 075	–	–	–
Rising Sun	Newspaper publisher	100	45	45	–	–	2 550	–
Ronain Investments	Property owning	500	50	50	33	33	4 603	3 503
Rowaga Properties	Property owning	500	50	50	1 175	1 175	–	–
Sentrale Makelaars	Dormant	25 000	50	50	56	56	–	–
Shumani Print Services	Printer	1 000	49	49	–	4 500	4 589	23
Tambuti Brits	Property owning	100	50	50	–	–	–	–
Tambuti Enterprise	Property owning	100	50	50	143	143	(1 842)	158
Tambuti Upington	Property owning	100	50	50	–	–	–	–
Tambuti Vryburg	Property owning	100	50	50	–	–	–	–
Threads & Craft	Magazine publisher	100	30	30	300	300	1 629	1 496
Wordsmiths	Newspaper publisher	10 000	50	–	3 750	–	–	–
					59 517	28 272	4 702	10 456

All private companies unless otherwise stated and are all incorporated in the Republic of South Africa.

The financial year-ends are June unless otherwise stated.

The group's proportional share of interest in associated companies and jointly controlled entities is as follows:

BALANCE SHEET	ASSOCIATED COMPANIES R000 2006	ASSOCIATED COMPANIES R000 2005	JOINTLY CONTROLLED R000 2006	JOINTLY CONTROLLED R000 2005
Fixed assets	13 267	29 054	5 655	5 562
Investments and long-term receivables	21 912	5 113	–	–
Current assets	43 581	35 051	192 849	162 558
Total assets	78 760	69 218	198 504	168 120
Long-term liabilities	13 300	11 477	–	–
Deferred taxation	3 027	1 462	(1 390)	(2 348)
Current liabilities	31 206	21 088	106 532	88 671
Total liabilities	47 533	34 027	105 142	86 323
Attributable net asset value	31 227	35 191	93 362	81 797
INCOME STATEMENT				
Turnover	173 421	126 942	284 914	248 169
Income before taxation	19 032	12 139	65 024	42 046
Taxation	(5 921)	(4 564)	(24 872)	(16 127)
Net income for the year	13 111	7 575	40 152	25 919

Notice to members of Caxton and CTP Publishers and Printers Limited (“Caxton”)
Share code: CAT
ISIN: ZAE000043345

NOTICE IS HEREBY GIVEN that the annual general meeting of the members will be held in the board room, Caxton House, 368 Jan Smuts Avenue, Craighall Park, Johannesburg on Wednesday, 1 November 2006 commencing at 10:00 am for the following purposes:

1. To receive and consider the annual financial statements for the year ended 30 June 2006.

2. To consider and if thought fit to pass with or without modification the following ordinary resolutions:

   2.1 “THAT in terms of section 221 of the Companies Act 1973, the company hereby extends, until the next annual general meeting, the directors’ authority to allot and issue, at their discretion and in terms of the regulations of the JSE Limited (“JSE”), the unissued shares of the company”.

   A simple majority is required of votes cast by the shareholders present or represented by proxy at the general meeting to approve the resolution.

   2.2 “THAT the directors have the powers to allot and issue any shares of any class already in issue in the capital of the company for cash by way of a general authority, when the directors consider it appropriate in the circumstances, subject to the following:

   - this authority shall not endure beyond the earlier of the next annual general meeting of the company or beyond 15 months from the date of the meeting;
   - there will be no restrictions in regard to the persons to whom the shares may be issued, provided that such shares are to be issued to public shareholders (as defined by the JSE in its Listing Requirements) and not to related parties;
   - upon any issue of shares which, together with prior issues during any financial year in terms of section 11.22 of the JSE Listing Requirements, will constitute 5% or more of the number of shares of the class in issue, the company shall, by way of a paid press announcement in terms of section 11.22 of the JSE Listings Requirements, give full details thereof, including the effect on the net asset value of the company and earnings per share, the number of securities issued and the average discount to the weighted average traded price of the securities over the 30 days prior to the date that the price of such issue was determined or agreed by the company’s directors;
   - that issues in the aggregate in any one financial year may not exceed 15% of the number of shares of that class of the company’s issued share (including instruments which are compulsorily convertible into shares of that class) at the date of application less any shares of that class issued, or to be issued in the future arising from options/convertible securities issued during the current financial year, plus any shares to be issued pursuant to an announced, irrevocable and fully underwritten rights offer or to be issued pursuant to any acquisition for which final terms have been announced; and
   - the maximum discount at which securities may be issued is 10% of the weighted average traded price of those securities over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors.”

   A 75% majority is required of votes cast by the shareholders present or represented by proxy at the general meeting to approve the resolution.

3. To approve the payments of emoluments to directors as detailed on page 24 of the annual report.

4. To elect the following directors who are retiring and offer themselves for re-election:

   4.1 **Mr. Phillip Vallet** (60) (BA LLB)

   Phillip Vallet qualified at the University of Witwatersrand in 1971 and was admitted as an attorney in 1972. Phillip was appointed a senior partner of Raphaely-Weiner prior to its merger with Fluxmans in 1990. In 1997, he was appointed senior partner of the merged firm and on its incorporation in 2004 was appointed CEO.

   Phillip is Deputy Chairman of Super Group Limited; Chairman of the Board of Tiger Wheels Limited and a non-executive director of Spescom Limited and Independent Financial Services Limited.

   4.2 **Mr. Francis T. Gatefield** (66)

   Trevor Gatefield completed a six year Printing Industry Apprenticeship in 1962 and has held a number of general management positions in the printing industry in the United Kingdom and Portugal. In 1973, Trevor led a management buy-out of ITT World Directories’ printing operations (renamed Lisgrafica) of which he was a director and major shareholder until 1990. During his career he has been involved in various printing projects around the world.

5. To consider and if thought fit, to pass with or without modification, the following resolution as a special resolution:

"THAT the company or any of its subsidiaries are hereby authorised as a general approval given in terms of section 85(2) and 89 of the Act and in terms of the Articles of Association, to acquire shares issued by the company upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the provisions of the Act and the Listings Requirements of the JSE which currently stipulate that:

- the repurchase of securities being effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);
- at any point in time the company may only appoint one agent to effect any repurchases on the company's behalf;
- the company may only undertake a repurchase of securities if after such repurchase it still complies with the shareholder spread requirements of the JSE;
- the company or any of its subsidiaries may not repurchase securities during a prohibited period as defined in the JSE Listings Requirements;
- this general authority shall only be valid until the company's next annual general meeting provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this Special Resolution;
- a paid press announcement will be published as soon as the company has acquired ordinary shares constituting, on a cumulative basis, 3% (three percent) of the number of ordinary shares in issue, at the time of passing of this Special Resolution and any 3% (three percent) increments thereafter which announcements shall contain full details of such acquisitions;
- acquisitions of ordinary shares by the company in terms of this general authority in the aggregate in any one financial year may not exceed 20% (twenty percent) of the company's issued ordinary share capital nor may any subsidiary hold more than 10% (ten percent) of the company's issued shared capital at any one time and
- in determining the price at which ordinary shares issued by the company are acquired in terms of this general authority, the maximum price at which such ordinary shares may be acquired may not be greater than 10 % (ten percent) above the weighted average of the market price at which such ordinary shares traded on the JSE over the 5 (five) business days immediately preceding the date on which the transaction is effected.

The general authority to repurchase the company's shares will be acted upon within the parameters laid down by the JSE, as and when the directors deem it to be appropriate. After considering the effect of a general repurchase within these parameters, the directors are of the view that for a period of at least 12 (twelve) months after the date of this notice:

- Caxton and the group will be able in the ordinary course of business to pay their debts;
- the assets of Caxton and the group, fairly valued in accordance with accounting policies used in the latest audited report, will be in excess of the liabilities of the company and the group for a period of 12 (twelve) months after the date of this notice of annual general meeting;
- the ordinary capital and reserves of Caxton and the group will be adequate for the purposes of the company's and the group's businesses respectively; and
- the working capital of Caxton and the group will be adequate for their requirements."

The Sponsor of the company has signed the appropriate working capital statement in terms of section 2.12 of the JSE Listings Requirements.

The reason for this Special Resolution is to grant a general approval in terms of the Act and the Listings Requirements of the JSE for the acquisition by the company or its subsidiaries of shares issued by the company, subject to statutory and regulatory limitations and controls.

The effect of this Special Resolution is to enable the company and/or a subsidiary, by way of a general approval, to repurchase up to a maximum of 20% (twenty percent) of its share capital in any one financial year; such authority to remain valid until the company's next annual general meeting but not beyond the period of 15 (fifteen) months after the date of this resolution.

As per section 11.26b of the Listings Requirements of the JSE Limited, shareholders are referred to the following sections in the annual report to which this notice of annual general meeting is attached:

- Details of directors on page 1;
- Directors' interest in securities on page 10 (which beneficial interests have not changed since 30 June 2006. There are no non-beneficial interests);

- Major shareholders on page 10;
- Material changes in the nature of the company's trading or financial position post 30 June 2006 on page 11;
- The share capital note on page 20.

The directors are not aware of any legal or arbitration proceedings active, pending or threatened against or being brought by the company, which may have a material effect on the group's financial position or which have had a material effect during the 12 months preceding the date of this notice of annual general meeting.

The directors, whose names have been given on page 1 of this annual report, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the annual report contains all information required by the JSE Listings Requirements, have considered the general authority to repurchase securities resolution and are of the opinion that Caxton shareholders should vote in favour of the resolutions necessary to implement the resolution.

6. To transact such other business as may be transacted at an annual general meeting.

Shareholders who hold their shares in certificated form or who are own name registered dematerialised shareholders who are unable to attend the annual general meeting but who wish to be represented thereat, are required to complete and return the attached form of proxy so as to be received by the transfer secretaries, Computershare Investor Services 2004 (Pty) Limited (70 Marshall Street, Johannesburg, 2001/PO Box 61051, Marshalltown 2017) or the company at its registered address (16 Wright Street, Industria West Johannesburg, 2093 or PO Box 43587, Industria, 2042) by not later than 10:30 on Monday, 30 October 2006.

Shareholders who have dematerialised their shares through a CSDP or broker, other than by own name registration, who wish to attend the annual general meeting should instruct their CSDP or broker to issue them with the necessary authority to attend the meeting, in terms of the custody agreement entered into between such shareholders and their CSDP or broker. Shareholders who have dematerialised their shares through a CSDP or broker, other than by own name registration who wish to vote by way of proxy, should provide their CSDP or broker with their voting instructions, in terms of the custody agreement entered into between such shareholders and their CSDP or broker. These instructions must be provided to their CSDP or broker by the cut-off time or date advised by their CSDP or broker for instructions of this nature.

By order of the Board

N. Sooka
Secretary

Johannesburg
29 September 2006

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Caxton and CTP Publishers and Printers Limited **Proxy Form**

Share code: CAT

ISIN: ZAE000043345

For use ONLY by certificated shareholders and own name dematerialised shareholders at the annual general meeting of Caxton shareholders to be held at 10:00am on Wednesday, 1 November 2006, or such later time that may be applicable ("the annual general meeting").

I/We ____

of __________________________________ appoint (see note 1)

1. __________________________________ or failing him,

2. __________________________________ or failing him,

3. the chairman of the meeting,

as my/our proxy to act for me/us at the aforementioned annual general meeting of members, which will be held at Caxton House, 368 Jan Smuts Avenue, Craighall Park, Johannesburg on Wednesday, 1 November 2006, commencing at 10:00am and at any adjournment thereof, for the purpose of considering and, if deemed fit, passing, with and/or without modification, the resolutions to be proposed thereat and to vote for and/or against the resolutions with and/or without modification and/or to abstain from voting thereon (see note 2).

		Number of votes	
Ordinary resolutions	For	Against	Abstain
1. To approve annual financial statements for the year ended 30 June 2006.			
2.1 Extend the authority of the directors to allot and issue the unissued shares of the company.			
2.2 To empower the directors to issue shares for cash.			
3. To approve the emoluments to directors.			
4.1 To re-elect Mr P. Vallet as director of the company.			
4.2 To re-elect Mr F.T. Gatefield as director of the company			
Special resolution			
5. To approve the general authority to acquire shares.			

On a poll, every member present in person or by proxy shall have one vote for every share held (see note 2).

Signed at __________________ on __________________ 2006

Signature ____

Assisted by me __________________________________

(where applicable – see note 7)

Notes

1. A Caxton shareholder may insert the name of a proxy or the names of two alternative proxies of the Caxton shareholder's choice in the space/s provided, with or without deleting "the Chairperson of the general meeting", but any such deletion must be initialled by the Caxton shareholder concerned. The person whose name appears first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in Caxton, insert the number of ordinary shares held in respect of which you desire to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A Caxton shareholder or his/her proxy is not obliged to use all the votes exercisable by the Caxton shareholder or by his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.

3. The date must be filled in on this proxy form when it is signed.

4. The completion and lodging of this form of proxy will not preclude the relevant Caxton shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof. Where there are joint holders of shares, the vote of the senior joint holder who tenders a vote, as determined by the order in which the names stand in the register of members, will be accepted.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries of Caxton or waived by the Chairperson of the general meeting of Caxton shareholders.

6. Any alterations or corrections made to this form of proxy must be initialled by the signatory/ies.

7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of Caxton.

8. Forms of proxy must be received by the company at its registered office or the transfer secretaries, Computershare Investor Services 2004 (Pty) Limited at 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) by not later than 10:00am on Monday, 30 October 2006.

9. The Chairperson of the general meeting may accept or reject any form of proxy, in his absolute discretion, which is completed other than in accordance with these notes.

10. If required, additional forms of proxy are available from the transfer secretaries of Caxton.

11. Dematerialised shareholders, other than those with own name registration, who wish to attend the annual general meeting should instruct their Central Securities Depository Participant ("CSDP") or broker to issue them with the necessary authority to attend the meeting in terms of the custody agreement between such shareholders and their CSDP or brokers. Such shareholders who wish to be represented by proxy at the annual general meeting should provide their CSDP or broker with their voting instructions in terms of the custody agreement between such shareholders and their CSDP or broker.

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