CAXTON

ANNUAL REPORT

2007

Caxton and CTP Publishers and Printers Limited

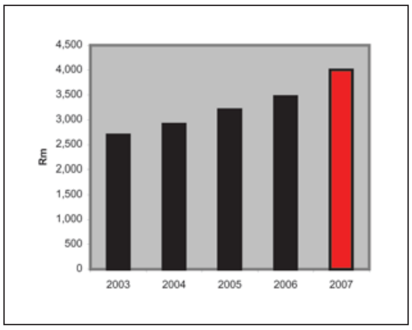
Turnover R4 006 million

Profit before tax R830 million

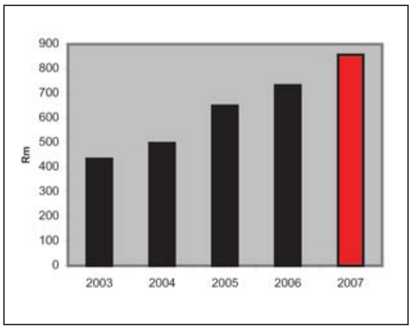
Cash generated by operations R851 million

Cash resources R988 million

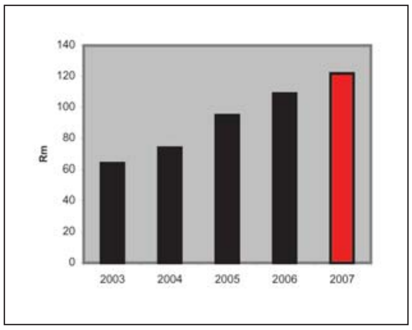
Revenue



EBITDA



EPS



Highlights

	2007 Rm	2006 Rm	2005 Rm	2004 Rm	2003 Rm
			IFRS restated		
Income statement and cash flow					
Revenue	**4 006**	3 468	3 205	2 911	2 694
Operating profit before depreciation and amortisation	**857**	733	650	498	434
Finance income	**149**	109	80	83	122
Earnings attributable to ordinary shareholders	**611**	520	442	334	256
Diluted headline earnings per share (cents)	**122**	109	95	74	64
Cash generated by operations	**851**	717	634	529	461
Balance sheet					
Shareholders' equity	**3 783**	3 296	2 643	2 337	2 200
Total assets	**4 854**	4 347	3 414	3 119	2 875
Cash and cash equivalents	**988**	859	1 119	963	978
Other information					
Weighted average number of shares in issue (000's)	**494 940**	477 156	453 450	456 114	416 293
Net asset value per share (cents)	**787**	683	588	513	478
Number of employees	**5 959**	5 776	5 291	5 239	5 258

CAXTON AND CTP PUBLISHERS AND PRINTERS LIMITED

ANNUAL REPORT

FOR THE YEAR

ENDED 30 JUNE 2007

Directorate and administration

Directors

Dr F van Zyl Slabbert* *(Chairman)*
TD Moolman *(Chief Executive Officer)*
GM Utian *(Managing Director)*
PC Desai* Resigned 11 April 2007
FT Gatefield*
PG Greyling
TJW Holden
PM Jenkins*
ACG Molusi* Appointed 28 August 2007
AN Nemukula* Appointed 28 August 2007
P Vallet*
*(*Non-executive directors)*

Secretary

N Sooka

Business address

28 Wright Street
Industria West
Johannesburg, 2093

Postal address

PO Box 43587
Industria, 2042

Registered office

28 Wright Street
Industria West
Johannesburg, 2093

Auditors

PKF (JHB) Inc.
42 Wierda Road West
Wierda Valley
Sandton
Johannesburg, 2196

Attorneys

Fluxmans Attorneys
11 Biermann Avenue
Rosebank
Johannesburg, 2196

Bankers

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 number

1947/026616/06

CAXTON AND CTP PUBLISHERS AND PRINTERS LIMITED AND ITS SUBSIDIARIES

Managing Director's Report

Group performance

Pleasing results have been achieved by the company notwithstanding a difficult period in the commercial printing division, where major plants were installed and successfully commissioned, and where the packaging division was a drain on profitability. Fortunately all publishing activities across the company performed well. The economy also proved to be of benefit and continuing growth in retail spending benefited advertising where volumes were up.

The South African currency remained fairly stable after a substantial decrease at the commencement of the financial year which proved to be beneficial to input costs. Mainly as a result of higher levels of inflation, the Reserve Bank has increased lending rates by 3,5% which is starting to negatively impact on spending patterns particularly where large ticket items such as houses, motor vehicles and white and brown goods are concerned. The recent introduction of the National Credit Act, which is welcomed, has also slowed up consumer spending.

There can be no doubt whatsoever that the consumer boom which has benefited the country as a whole for some time will be more muted going forward.

However, the large infrastructural spend by government and the provinces should mitigate against any major swing in overall growth patterns. In these circumstances the rand could be negatively affected with the substantial flow of funds offshore necessary to support these developments and the concomitant deficits in the current account. Recent events seem to indicate that rand volatility is a fact of life and will remain as such.

World markets appear to be entering a turbulent phase driven primarily by the "sub-prime mortgage" housing markets faltering in the United States of America, and the over-exuberance of investors. In time this could worsen inflation and if investment support for local bonds and equities is reduced, the currency could find itself under further pressure. Whilst this will be good for exporters it will, however, have a dramatic influence on the company's input costs and the prices of products and services would have to be increased to offset this event. Furthermore, additional inflationary pressure will be felt as a result of union demands for large increases in salaries and wages, and where unfortunately the government recently relented during the national strike and acceded to these irrational demands. The country is presently witnessing major strike actions and excessive demands for increases in salaries and wages above the rate of inflation which augurs badly for future economic growth.

The year under review could be categorised as one of investment in most of our factories in new plant and technology, which places the company in a strong position to capitalise on additional efficiency and of course much larger capacity for existing and innovative new products.

Financial review

Turnover increased by 15,5% which is some 9% above inflation during a year where raw materials prices have remained relatively stable which translated into a positive growth in volumes.

Accordingly turnover went up from R3 468,5 million to R4 006,4 million.

Depreciation and impairment amounted to R194,6 million compared to R126,8 million last year. This large increase is due to depreciation having been provided on the new equipment which was installed. In line with the company's policy of annually revisiting the useful life and value of all items of equipment and having regard to the new installations where technology has advanced, the aforementioned figure includes an amount of R43 million written off by way of impairment.

It is gratifying to note that the trading margin, which was at 17,5% last year, fell to just 16,5% and would have increased to 17,6% had the impairment on plant not occurred.

Net finance income, which includes an amount of R65,9 million relating to the net surplus on realisation of investments, totalled R148,8 million.

Income from associates rose slightly from R19,0 million to R19,1 million. The majority of the company's associates performed to expectation and the aforementioned increase has to be read in conjunction with the sale of the shares in one associate.

Profit before taxation increased from R733,9 million to R830,3 million, an increase of 13,1%.

Taxation, which includes secondary tax on companies and deferred taxation, was marginally up at R210,8 million. This is an effective tax rate of 25,4% and is somewhat down on the previous year due to a number of non-recurring factors.

The cash taxation rate is lower having regard to the vast expenditure on capital items and the taxation allowances thereon.

After providing for profits attributable to minority shareholders, earnings attributable to ordinary shareholders amounted to R611,1 million which is a 17,6% increase on the previous financial year.

Ordinary shares in issue at the close of the financial year amounted to 494 939 628. A further 2 188 286 ordinary shares were purchased during the year which, when added to treasury shares held at the commencement of the year of 12 422 855, now totals 14 611 141 ordinary shares. Earnings per share are therefore based on 480 328 487 ordinary shares in issue and diluted earnings, after adjusting for outstanding share options, are based on 481 028 487 ordinary shares in issue.

Earnings per share amounted to 127,2 cents which is an improvement of 13,8% and diluted earnings improved by the same percentage.

Headline earnings and diluted headline earnings were 121,7 cents per share, up by 11,7%.

Cash flow

Cash and cash equivalents at 30 June 2007 amounted to R984,3 million. The company's ability to generate cash from operations remains a major feature of the company's overall performance and R850,8 million was generated for the year.

Capital of R305,5 million was expended during the year to expand operations and working capital increased by R224,8 million mainly from higher levels of inventory being carried due to the additional volumes being produced by the various manufacturing divisions. The proceeds on the disposal of investments amounted to R178,5 million.

Revaluation of property

In line with the company's policy of revaluing its property every five years a revaluation exercise was carried out by independent valuators. This valuation has resulted in the value of the company's property being increased by an amount of R126 million with the commensurate credit going into non-distributable reserves and deferred taxation.

Divisional performance

As indicated earlier in this commentary the publishing divisions of the company produced good results whilst the commercial printing and the packaging divisions had to contend with continued margin pressure and a number of unusual circumstances and events.

PUBLISHING, PRINTING AND DISTRIBUTION

Newspaper publishing and printing

The company is fortunate in that its investment in newspaper publishing is mainly through free community and regional newspapers. This publishing sector has grown annually and has been relatively unaffected by the move to digital publishing and other media which has had a negative consequence on the majority of daily and weekly newspapers.

Good performances were once again achieved in a market where advertising expenditure remained vibrant.

The continuing investments in new products have been maintained with good returns being achieved. *Auto Dealer* in particular produced very good profits and has been a major player in the second hand car market and is being recognised and treated as such.

The property supplements did well despite an onslaught of opposition products. The launch of the Protea Urban papers has progressed and over 300 000 papers are now circulating weekly throughout Soweto. Further launches in new localities will follow as an enabling advertising environment presents itself.

The monthly *Get It* community magazine published by this division, which is distributed for no charge, is also producing results in line with budget and there are now 23 publications throughout South Africa with more in the planning process. This publication has been extremely well received by readers and advertisers alike.

Good results ahead of expectation were achieved by the majority of the company's regional operations in the various provinces and the investment in the prior year into new presses is already bearing fruit.

Our daily newspaper *The Citizen* produced better revenue and profitability and increased its share of the daily newspaper advertising spend. It has recently revamped the paper and this redesign has drawn praise from a number of quarters and circulation growth has resumed in a crowded market.

Major newspaper printing for the company, which is located in Industria, experienced an above average year. Enhancements to production and inserting facilities worked well and record volumes were processed. This extremely modern and well run printing facility has been and will continue to be an important driver in the success of the newspaper division as a whole. To ensure that this position is maintained and to cope with the anticipated growth in volumes it has been decided to purchase additional land and to erect new buildings and install further printing presses. The expenditure involved is estimated at R200 million and will be incurred during the 2008 and 2009 financial years, with the bulk of the expenditure taking place during the 2009 financial year.

A number of new strategic alliances with partners were entered into and new products established, all of which have worked well and are producing good results. Further new products are in the planning stage.

The joint venture in Port Elizabeth in a newspaper factory is progressing according to plan and the equipment was commissioned during the latter part of the financial year.

Magazine publishing

Further progress has been achieved in this division despite the competitive environment which exists. Literally hundreds of new publications are finding their way onto the shelves of magazine outlets and there is no doubt whatsoever that it is going to be a battle for survival. This the more so where unfortunately the number of magazine readers in South Africa is diminishing rather than increasing.

Statistics recently released by the Audit Bureau of Circulations reveal that overall magazine circulation is on the decrease. This will be exacerbated with the recent rise in interest rates and the general tightening of the economy. Furthermore, with the rand having lost ground to overseas currencies, it is inevitable that printing prices are about to escalate to compensate for the increase in the cost of paper and ink. This in all likelihood will lead to publishers having to increase their selling prices, leading to a probable further decline in circulation sales.

Advertising revenue spend as a whole has not kept up with the growth in the number of publications and in fact revenue per publication has in a number of instances dropped.

In May 2007 a new publication *Cleo* was launched under licence to ACP in Australia with whom a licensing agreement has been concluded and could allow for new launches into an appropriate segment when favourable conditions present themselves.

RNA, the efficient and well run distributor of magazines, enjoyed a good year which saw the finalisation of their expenditure on a number of new facilities and the remodelling and improvement of existing facilities.

New computer assisted technical enhancements are presently being installed which should result in an even better service for its customers.

The retail environment remains a major challenge for improved magazine sales. Many publications are competing for limited shelf space and retailers have not increased the amount of selling space available for magazines. A complete overhaul of how magazines are merchandised, particularly in supermarkets, who have become the major seller of magazines, is urgent as is obtaining their support for increased shelf space and recognising the importance of the sale of magazines in their overall offering to their customers.

Commercial printing

Web and gravure printing

The substantial additions to this division have all been completed and commissioned. The result is a very much larger and efficient gravure printing facility in Durban and a new gravure printing factory in Johannesburg which effectively doubles the capacity.

A number of technical advancements and equipment have also been installed and this major capital expenditure places the commercial gravure printing division, together with the three web offset factories in Johannesburg and Cape Town, in an ideal position to cope with volume increases and to service their customer base with innovative new products.

The year witnessed a large growth in volumes which were well handled even though the accent was on new equipment installations. Margins continue to be extremely competitive and this division reduced its contribution to the overall profits of the company.

As mentioned earlier, the installation of the new equipment necessitated a review of existing carrying values of plant and equipment and in terms of our accounting policy a number of impairments of plant were made.

Book printing

This well operated and managed and highly efficient book printing factory had a very good year and improved its profitability. Equipment continues to be continually reassessed to keep up with the demands of its many customers particularly those involved in the publishing of educational books. This resulted in new presses and ancillary equipment being installed. Its base of customers has been extended and this division is building on its reputation for the high quality product that it produces.

OTHER

Academic publishing

Maskew Miller Longman, in which company 50% of the equity is owned, the other 50% being held by Pearson, the largest educational publisher in the world, had an excellent year and achieved record profitability. The year just ended saw the introduction of three grades of the new schools curriculum leaving only one final grade to be introduced in the following year for the curriculum to be completed.

This organisation has over the past few years become a major contributor to the company's profits and has become the pre-eminent and largest publisher of school books in the country.

Their southern African divisions reported further improvements in profits and new territories and opportunities are being worked on.

Local Higher Education, which is a separate division, also enjoyed good success not only in the tertiary and professional markets but also in the general book trade.

The introduction of a new "Further Education and Training" syllabus by the government to redress the lack of a number of technical skills required in the economy presents new challenges, and success is possible as good market share has been achieved in the first year of the introduction even though current volumes are small. Government has stated that it would like to see the number of students undergoing this form of training increasing to one million over time.

A trust which Maskew Miller Longman has funded has been established for charitable and educational purposes and a number of interesting initiatives are under investigation. The intention is to benefit all aspects of education and training, including the poor and needy, by improving and assisting general South African education and training standards.

Packaging

An area of the company's activities which resulted in a poor performance for the year.

Certain divisions such as those involved in the printing of labels for the cigarette, beer, spirits and music industry, recorded reasonable profit growth in a competitive environment and achieved results very much in line with budgets.

However, the division producing folded cartons and other packaging products experienced a difficult year. An investment into a folded carton business was made and the decision taken to move this division and the existing facility from Industria to new facilities in Elandsfontein and to combine their activities. The disruption caused by this move proved to be greater than originally contemplated and it took some eight months to resume efficient and profitable production. Consequently losses were incurred during the period.

The Cape Town operations, where labels and flexible plastic packaging products are produced, also experienced a difficult trading year. The increase in the oil price and the fall in value of the rand increased input costs which could not be sufficiently recovered from customers.

A decision has been taken to extensively upgrade the equipment of SA Litho, the quality label manufacturer, and new items of equipment amounting to some R50 million will be installed in the next 12 months. This expenditure will allow efficiency in production and the division is expected to return to profitability once the equipment has been installed.

Stationery

A much better year for the stationery division, which produces products for the tender and retail markets. This improvement resulted from higher volumes of sales and a rationalisation of products sold. The environment continues to be highly competitive and here too input costs will play a major part in future profitability.

With effect from 1 July 2007, 50% of the equity of Impala Stationers, situated in Ladysmith, and which produces stationery products for the educational departments in the various provinces, has been sold to Vuwa Investments (Pty) Limited, an upcoming black economic empowerment company headed by Bulelani Ngcuka. It is the intention to grow this new initiative into a major force manufacturing and supplying stationery products to all outlets.

Directors

We are pleased to advise that Mr Connie Molusi and Mr Albert Nemukula were appointed to the board of directors on 28 August 2007. Mr PC Desai has resigned from the board.

Dividends

In view of the impending changes to the legislation regarding secondary tax on companies (STC) being changed to a withholding tax, it has been decided to hold over the declaration of a dividend until it is clear what the consequences of such a change will be. A dividend will be declared immediately this information becomes available.

Prospects

At the time of writing this commentary world markets are in turmoil and volatility has become a norm. Whilst the South African economy, with the proviso of inflation having reared its ugly head, was going well, it is now impossible to predict what could happen.

The company is dependent on the supply of paper, ink and other consumables from overseas sources and the stability of the currency plays an important role in setting prices.

However, the investments made over the past few years and the stability of the company should result in earnings enhancement going forward.

Provided that these new developments do not extensively alter the economic environment, further earnings growth in line with that just reported upon can be anticipated.

Social responsibility

The company's policy was maintained during the year and a number of grants were made. A decision was taken to continue the annual contribution of R250 000 to the Chair of Journalism at the University of the Witwatersrand.

Thanks

Once again we take this opportunity to thank our various stakeholders for their ongoing support. Our customers, staff and suppliers are pivotal to the success that we have enjoyed and we sincerely express our gratitude.

G. M. Utian

GM 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 ten directors of whom six, including the chairman, are non-executive directors. Procedures for appointments to the board are formal and transparent.

Board meetings

The Board of Directors has a minimum of 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.

Board meeting attendance

	Aug 06	Nov 06	Feb 07	Mar 07	May 07
Dr F van Zyl Slabbert	✓	✓	✓	✓	✓
TD Moolman	✓	✓	A	✓	✓
GM Utian	✓	✓	✓	✓	✓
PG Greyling	✓	✓	A	✓	✓
TJW Holden	✓	✓	✓	✓	✓
PM Jenkins	✓	✓	✓	✓	✓
P Vallet	✓	✓	✓	✓	A
FT Gatefield	A	A	A	A	A
PC Desai	✓	✓	A	X	n/a

X did not attend
A apology

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 and internal 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: PM Jenkins (Chairman), PG Greyling, GM Utian and P Vallet.

Audit committee meeting attendance

	Aug 06	Nov 07
PM Jenkins	✓	✓
PC Desai	A	A
PG Greyling	✓	✓
GM Utian	✓	✓
P Vallet	✓	✓

A apology

Remuneration committee

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

Chairman and chief executive officer

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

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 2007.

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 7 of these financial statements.

The annual financial statements set out on pages 8 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 judgements 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.

In addition, the group has established an internal audit department whose primary function is to ensure effectiveness of these controls.

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 abovementioned 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."

The skills shortage among previously disadvantaged persons in the industries in which the group operates, which we reported last year, is being addressed, but progress remains slow.

We have progressed further in addressing the skills shortage, which we identified amongst previously disadvantaged 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 168 learners are now under training. Those whose training have 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 21 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

28 September 2007

Caxton and CTP Publishers and Printers Limited and its subsidiaries

TEN YEAR REVIEW – SALIENT FEATURES

	2007	2006	2005	2004	2003	2002	2001	2000	1999*	1998
Gross turnover (Rm)	**4 752**	4 193	3 826	3 439	3 234	2 561	2 380	2 258	2 598	1 245
Income before taxation (Rm)	**830**	734	648	497	438	362	320	265	465	200
Earnings attributable to equity holders of parent (Rm)	**611**	520	442	334	256	182	174	158	321	130
Weighted average number of shares in issue during the period (000's)	**494 940**	477 156	453 450	456 114	416 293	371 150	371 150	383 750	379 020	323 370
Earnings per ordinary share (cents)	**127**	112	98	73	61	49	47	43	85	40
Diluted earnings per share (cents)	**127**	112	97	72	60	47	45	41	55	–
Diluted headline earnings per share (cents)	**122**	109	95	74	64	47	48	42	55	–
Dividends/distribution per ordinary share (cents)	**–**	45	40	35	30	20	20	–	10	12
Special dividend per ordinary share (cents)	**–**	–	–	–	–	–	–	–	10	–
Dividend cover (times)	**–**	2	2	2	2	2	2	–	8	3
Ordinary shareholders' equity (Rm)	**3 783**	3 296	2 642	2 332	2 196	1 637	1 512	1 337	1 323	538
Net current assets (Rm)	**1 500**	1 120	1 381	1 300	1 355	1 271	1 097	925	936	233
Net asset value per share (cents)	**787**	683	588	513	478	441	408	366	371	167
Number of employees	**5 959**	5 776	5 255	5 239	5 258	5 380	5 235	5 605	5 435	3 496

** 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 statement and group annual financial statements of Caxton and CTP Publishers and Printers Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 30 June 2007, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 32.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual financial statements and group annual financial statements present fairly, in all material respects, the financial position of the company and of the group as at 30 June 2007, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

PKF

PKF (JHB) Inc
Registration No. 1994/001166/21
Director: RJ Lawson
Chartered Accountants (SA)
Registered Auditor

Johannesburg
28 September 2007

Caxton and CTP Publishers and Printers Limited
Directors' report

Nature of business

This is disclosed in the Managing Director's Report.

Review of business operations

Gross turnover for the year increased by R558,9 million (2006: R367,2 million) to R4 752 million (2006: R4 193 million). Profit from operating activities increased by R56,4 million (2006: R49,7 million) to R662,3 million (2006: R605,9 million). Net finance income received amounted to R148,8 million (2006: R109,0 million) with capital expenditure during the year totalling R305 million (2006: R508 million). Net cash resources amounted to R988 million (2006: R859 million).

Ordinary dividend

No dividend has been declared in view of the impending changes to the legislation regarding secondary tax on companies (STC) being changed to a withholding tax (2006: 45 cents).

Preference dividend

A 6% preference dividend of 12 cents (2006: 12 cents) per share and no participating preference dividend has been declared as this is dependent on the declaration of an ordinary dividend (2006: R4,01).

Share capital

Particulars of the authorised and issued share capital of the company are set out in note 10 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 2007	R000 2006
Profits	519 642	464 032
Losses	(1 033)	(2 164)
	518 609	461 868

Share incentive schemes

There are two employee share incentive schemes that are being closed out 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.

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 10 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 2007 of R18,75 (June 2006: R14,99) multiplied by the share options outstanding.

Details of share options movement during the period:

	Number of options
Outstanding on 1 July 2006	700 000
Exercised during the year	–
Granted during the year	–
Lapsed during the year	–
Outstanding on 30 June 2007	700 000
– directors	700 000
– other employees	–
Number of participants	1 (2006: 1)

Share purchase scheme

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

Details of share movement during the period:

	Number of shares
Outstanding on 1 July 2006	187 500
Paid during the year	(62 500)
Lapsed during the year	–
Outstanding on 30 June 2007	125 000
– directors	100 000
– other employees	25 000
Number of participants	2 (2006: 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 Dr F van Zyl Slabbert, Mr TD Moolman, and Mr GM Utian retire as directors and, being eligible, offer themselves for re-election.

At the date of this report and 30 June 2007 the directors' beneficial shareholding in the company amounted to:

Directors	2007 Direct	2006 Direct	2007 Indirect	2006 Indirect
PG Greyling	1 325 000	1 325 000	–	–
TJW Holden	–	–	88 000	50 000
TD Moolman	–	–	12 393 804	17 459 196
GM Utian	–	60 000	1 350 000	2 010 579
Total	1 325 000	1 385 000	13 831 804	19 519 775

The Moolman & Coburn Partnership, through various intermediate companies controlled by them, controls Caxton Limited, which holds 37,99% of the issued ordinary shares of Caxton and CTP Publishers and Printers Limited. Caxton Limited controls a further 8,33% 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 6,96% and its associates acting in concert, hold a further 4,37% of the issued ordinary shares of Caxton and CTP Publishers and Printers Limited. It therefore controls a total of 57,65% 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	6	0,26	16 828 927	3,50
Caxton Share Investments (Pty) Limited	1	0,04	40 000 000	8,33
Shareholders holding more than 5% of the issued ordinary shares				
– Johnnic Communications Limited	1	0,04	80 065 330	16,67
– Caxton Limited	1	0,04	182 479 476	37,99
	9	0,38	319 373 733	66,49
Public shareholders	2 319	99,54	160 954 754	33,51
Subtotal	2 328	99,92	480 328 487	100,00
Shares held by a subsidiary	1	0,04	14 486 141	–
Trustees of employee share scheme	1	0,04	125 000	–
Total	2 330	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 2007.

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 8 to 32, have been approved by the Board and are signed on its behalf by:

GM Utian
Managing Director

TD Moolman
Chief Executive Officer

Johannesburg
27 September 2007

Caxton and CTP Publishers and Printers Limited
Balance sheets at 30 June 2007

COMPANY 2006 R000	COMPANY 2007 R000	Notes		GROUP 2007 R000	GROUP 2006 R000
			ASSETS		
			NON-CURRENT ASSETS		
–	–	2	Property, plant and equipment	1 801 710	1 587 766
–	–	3	Intangible assets	–	6 182
2 059 276	2 058 715	4	Interest in subsidiaries	–	–
59 943	38 546	5	Investments in associates	83 691	94 021
663 485	670 178	5	Investments	670 178	666 845
2 782 704	2 767 439			2 555 579	2 354 814
			CURRENT ASSETS		
–	–	6	Inventories	588 133	461 936
10 329	25 345	7	Accounts receivable	721 427	669 593
–	–		Taxation	1 732	1 281
316 989	333 279	8	Preference shares – listed	333 279	316 989
235 000	200 000		Other instruments – unlisted	200 000	235 000
23 191	–	9	Bank and cash resources	454 229	307 466
585 509	558 624			2 298 800	1 992 265
368 213	3 326 063		**TOTAL ASSETS**	4 854 379	4 347 079
			EQUITY AND LIABILITIES		
			CAPITAL AND RESERVES		
12 373	12 373	10	Ordinary share capital	12 008	12 063
1 149 357	1 149 357		Ordinary share premium	959 168	994 941
96 311	127 333	11	Non-distributable reserves	293 326	169 907
1 045 884	982 286		Distributable reserves	2 501 277	2 107 470
–	–	12	Minority interest	16 703	11 526
100	100	10	Preference share capital	100	100
2 304 025	2 271 449		**TOTAL EQUITY**	3 782 582	3 296 007
			NON-CURRENT LIABILITIES		
–	20 836	13	Deferred taxation	272 477	178 349
–	20 836			272 477	178 349
			CURRENT LIABILITIES		
30 672	8 131	14	Accounts payable	637 816	692 852
–	–	15	Provisions	108 734	106 138
1 030 142	980 129		Amounts owed to group companies	–	–
3 374	9 870		Taxation	52 770	73 733
–	35 648		Bank overdraft	–	–
1 064 188	1 033 778			799 320	872 723
3 368 213	3 326 063		**TOTAL EQUITY AND LIABILITIES**	4 854 379	4 347 079

Caxton and CTP Publishers and Printers Limited
Income statements for the year ended 30 June 2007

COMPANY 2006 R000	COMPANY 2007 R000	Notes		GROUP 2007 R000	GROUP 2006 R000
–	–	16	GROSS TURNOVER	4 751 633	4 192 741
–	–		LESS: INTER-GROUP	(745 217)	(724 243)
–	–		REVENUE	4 006 416	3 468 498
–	–		OTHER OPERATING INCOME	80 205	80 511
–	–		**TOTAL OPERATING INCOME**	4 086 621	3 549 009
–	–		CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS	(22 167)	11 817
–	–		RAW MATERIALS AND CONSUMABLES USED	1 334 044	1 098 353
–	–	17	STAFF COSTS	748 861	674 929
–	–	18	DEPRECIATION, AMORTISATION AND IMPAIRMENT EXPENSE	194 586	126 818
2 760	241	19	OTHER NET OPERATING EXPENSES	1 168 949	1 031 160
2 760	241		**TOTAL OPERATING EXPENSES**	3 424 273	2 943 077
(2 760)	(241)		**PROFIT/(LOSS) FROM OPERATING ACTIVITIES**	662 348	605 932
800 695	180 761	21	FINANCE INCOME	149 299	109 857
(3)	(9)	22	FINANCE COSTS	(520)	(887)
–	–		INCOME FROM ASSOCIATES	19 123	19 032
797 932	180 511		**PROFIT BEFORE TAXATION**	830 250	733 934
(10 858)	(21 185)	23	TAXATION	(210 837)	(208 136)
787 074	159 326		**PROFIT FOR THE YEAR**	619 413	525 798
–	–	12	ATTRIBUTABLE TO MINORITY INTEREST	8 325	6 277
787 074	159 326		ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT	611 088	519 521
		26	EARNINGS PER ORDINARY SHARE (cents)	127,2	111,8
		26	DILUTED EARNINGS PER SHARE (cents)	127,0	111,6
		27	HEADLINE EARNINGS PER SHARE (cents)	121,7	109,0
		27	DILUTED HEADLINE EARNINGS PER SHARE (cents)	121,6	108,8
		24	DIVIDEND PER ORDINARY SHARE (cents)	45,0	40,0
		25	PREFERENCE DIVIDENDS PER SHARE (cents)	413,0	338,0
			– Fixed	12,0	12,0
			– Participating	401,0	326,0

Caxton and CTP Publishers and Printers Limited
Cash flow statements for the year ended 30 June 2007

COMPANY 2006 R000	COMPANY 2007 R000	Notes		GROUP 2007 R000	GROUP 2006 R000
593 023	(161 841)		**CASH FLOW FROM OPERATING ACTIVITIES**	302 102	470 082
(2 760)	(241)	33.1	Cash generated by/(utilised in) operations	850 786	717 491
7 768	(37 557)	33.2	Changes in working capital	(224 844)	16 986
5 008	(37 798)		Cash generated by/(utilised in) operating activities	625 942	734 477
(7 760)	(14 690)	33.3	Taxation paid	(186 583)	(164 079)
5 912	3 405		Interest received	31 718	36 203
–	–		Interest paid	(520)	(887)
771 406	110 166		Dividends received	51 655	48 617
774 566	61 083		Net cash inflow from operating activities	522 212	654 331
(181 543)	(222 924)	33.4	Dividends paid	(220 110)	(184 249)
(1 189 721)	168 014		**CASH FLOW FROM INVESTING ACTIVITIES**	(104 511)	(1 019 214)
			Property, plant, equipment and intangibles		
–	–		– additions to expand operations	(305 495)	(508 399)
–	–		– proceeds from disposals	29 429	5 127
–	–			(276 066)	(503 272)
(657 465)	561	33.5	Investments – subsidiary businesses	–	–
(532 256)	167 453	33.6	– associates, other investments and loans	171 555	(515 942)
(1 189 721)	168 014			171 555	(515 942)
721 476	(50 013)		**CASH FLOW FROM FINANCING ACTIVITIES**	(35 828)	278 011
405 229	–		Proceeds from issue of shares	–	405 229
316 247	(50 013)		(Decrease)/increase in amount owing to group companies	–	–
–	–		Own shares acquired	(35 828)	(127 218)
124 778	(43 840)		Net increase/(decrease) in cash and cash equivalents	161 763	(271 121)
413 449	538 227		Cash and cash equivalents at beginning of year	822 502	1 093 623
538 227	494 387	33.7	Cash and cash equivalents at end of year	984 265	822 502
36 953	3 244		Fair value adjustment of preference shares and other instruments	3 243	36 953
575 180	497 631		Fair value of cash and cash equivalents at end of year	987 508	859 455

Caxton and CTP Publishers and Printers Limited
Statements of changes in equity for the year ended 30 June 2007

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 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	24						(179 626)	(4 460)	(184 086)
Preference dividends paid	25						(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
Attributable earnings for the year							611 088	8 325	619 413
Minority interest acquired								(461)	(461)
Revaluation of land and buildings					92 539				92 539
Ordinary dividends paid	24						(217 222)	(2 687)	(219 909)
Preference dividends paid	25						(201)		(201)
Realisation of land and buildings revaluation reserve					(142)		142		–
Share trust consolidation		4	365						369
Fair value adjustments – investments						65 202			65 202
Fair value adjustments – preference shares						(34 180)			(34 180)
Own shares acquired by subsidiary		(59)	(36 138)						(36 197)
Balance at 30 June 2007		12 008	959 168	100	170 462	122 864	2 501 277	16 703	3 782 582
Company R000									
Balance at 1 July 2005 – IFRS restated		11 336	745 165	100	4 469	59 200	440 353	–	1 260 623
Attributable earnings							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	24						(181 380)		(181 380)
Preference dividends paid	25						(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
Attributable earnings for the year							159 326		159 326
Dividends paid – ordinary shareholders	24						(222 723)		(222 723)
Preference dividends paid	25						(201)		(201)
Fair value adjustments – investments						65 202			65 202
Fair value adjustments – preference shares						(34 180)			(34 180)
Balance at 30 June 2007		12 373	1 149 357	100	4 469	122 864	982 286	–	2 271 449

Caxton and CTP Publishers and Printers Limited
Notes to the annual financial statements
for the year ended 30 June 2007

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.

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 and cash flows 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 reassessed 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 have been performed.

1. **ACCOUNTING POLICIES (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 initially and susequently measured at cost. The useful lives of publication titles are reveiewed on an annual basis to determine whether events and circumstances continue to support the indefinite useful life assessment. Non-active publication's 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 in profit and loss 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.

Where the effect of the time value of money is material, provisions are discounted to the present value using appropriate discount rates.

1.10 Financial instruments

Financial instruments recognised on the balance sheet include investments, accounts receivable, cash and cash equivalents and accounts payable. 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 fair value 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 or fair value less a provision for impairment and the basis of valuation used is the discounted cash flow method.

Purchases and sales of investments are recognised on the trade date, which is the date that the group commits to purchase or sell the asset. 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 fair value 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.

1. ACCOUNTING POLICIES (continued)

Accounts receivable

Accounts receivable are recognised at fair value and are subsequently measured on the amortised cost basis using the effective rate of interest. Accounts receivable which are of a long-term nature are discounted where the time value of money is significant and are classified as receivables.

Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when objective evidence exists that the asset is impaired.

Cash and cash equivalents

Cash and cash equivalents consist 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 are recognised at fair value and are subsequently measured on the amortised cost basis using the effective rate of interest.

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 time 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 where the company assumes substantially all of the risks and rewards associated with ownership of assets are classified as financial leases. All other leases are classified as operating leases.

1.15 Financial risk management

The company's activities expose it to a variety of financial risks, namely, currency risk, credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out by local management under policies approved by the Board of Directors.

(a) Currency risk

Exposure to currency 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 29.

(b) Credit risk

The company has no significant concentrations of credit risk, due to the diversity of its customers. It has policies in place to ensure that sales of services are made to customers of appropriate credit history. Cash transactions are limited to high-credit-quality financial institutions.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business the company aims to maintain flexibility in funding by keeping committed credit lines available.

(d) Cash flow and interest rate risk

The company's income and operating cash flows are substantially independent of changes in market interest rates. The company has significant interest-bearing assets and interest is earned at competitive market related rates.

1. **ACCOUNTING POLICIES (continued)**

1.16 Recently issued accounting standards

The International Accounting Standards Board (”IASB”) issued a number of standards, amendments to standards and interpretations during the financial year ended 30 June 2007. These amendments and standards will therefore be implemented by the group during the financial year starting 1 July 2007.

- IFRS 8 “Operating Segments”

  Requires a management approach to reporting on financial performance of operating segments, but needs to be reconciled to IFRS amounts reported. IFRS 8 was published on 30 November 2006 and is only effective for the group for its 30 June 2010 year-end.

- IFRS 7 “Financial Instruments: Disclosures” will be adopted by the group during its financial year ending 30 June 2008. This new standard will add certain new disclosures about financial instruments to those currently required by lAS 32 “Financial Instruments: Presentation”.

- The amendment to lAS 1 “Presentation of Financial Statements: Capital Disclosures” will be adopted by the group during its financial year ending 30 June 2008.

- IFRIC 10 “Interim Financial Reporting and Impairment” states that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. This IFRIC was issued on 1 March 2006, with an effective date of 1 November 2006. The group will apply these amendments from its interim period ending 31 December 2007.

1.17 Key management assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

- **Key assumption**

  Provision for bad debt

  Basis for determining value assigned to key assumption:

  The recoverability of debtors is reviewed by management on an ongoing basis and all amounts considered to be irrocoverable, based on management’s past experience, are provided for.

- **Key assumption**

  Impairment of assets

  Basis for determining value assigned to key assumption:

  Where the group has an asset for which there is no operational use, it is impaired to its residual value.

- **Key assumption**

  Revaluation of property

  Basis for determining value assigned to key assumption:

  The group revalues its properties every five years, using an independent professional valuer. The basis applied by the valuer is determined with reference to an open market value.

- **Key assumption**

  Asset lives and residual values

  Basis for determining value assigned to key assumption:

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

- **Key assumption**

  Valuation of unlisted investments

  Basis for determining value assigned to key assumption:

  The basis used for the valuation of unlisted investments is the present value of future cash flows discounted at an appropriate rate taking into account the risk factor.

2. PROPERTY, PLANT AND EQUIPMENT (GROUP)

Cost or valuation R000	Freehold land and buildings	Leasehold improve-ments	Plant and machinery	Vehicles	Furniture and equipment	Total
Year ended 30 June 2007						
Opening net book value	**312 420**	**392**	**1 235 844**	**13 397**	**25 713**	**1 587 766**
Purchases	**56 929**	**–**	**206 571**	**15 154**	**24 613**	**303 267**
Disposal	**(3 725)**	**–**	**(24 718)**	**(391)**	**(77)**	**(28 911)**
Reversal (impairment)	**881**	**–**	**(36 478)**	**–**	**–**	**(35 597)**
Revaluation	**125 764**	**–**	**–**	**–**	**–**	**125 764**
Depreciation	**(3 059)**	**(384)**	**(125 093)**	**(5 972)**	**(16 071)**	**(150 579)**
Closing net book value	**489 210**	**8**	**1 256 126**	**22 188**	**34 178**	**1 801 710**
Summary						
Carrying amount	**–**	**1 834**	**1 917 041**	**46 930**	**133 895**	**2 099 700**
Valuation	**500 622**	**–**	**–**	**–**	**–**	**500 622**
	500 622	**1 834**	**1 917 041**	**46 930**	**133 895**	**2 600 322**
Accumulated depreciation and impairment	**(11 412)**	**(1 826)**	**(660 915)**	**(24 742)**	**(99 717)**	**(798 612)**
Net book value	**489 210**	**8**	**1 256 126**	**22 188**	**34 178**	**1 801 710**
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
Disposals	(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						
Carrying amount	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 carrying amount	312 420	392	1 235 844	13 397	25 713	1 587 766

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 Balme van Wyk and Tugman (Pty) Limited, independent valuers, on 30 June 2007. The fair values of the properties were determined on an open market valuation basis.

2.3 The net carrying value of the properties would have been R363 446 000 had the asset been measured using the historic cost model.

Company 2006 R000	Company 2007 R000		Group 2007 R000	Group 2006 R000
		3. INTANGIBLE ASSETS		
		Publication titles		
		Cost		
		Opening net book value	6 182	7 076
		Purchases	2 228	237
		Amortisation	(1 018)	–
		Impairment	(7 392)	(1 131)
		Closing net book value	–	6 182
		4. INTEREST IN SUBSIDIARIES		
1 373 232	1 375 755	Shares at cost		
686 044	682 960	Amount owing by subsidiaries		
2 059 276	2 058 715			
		The amounts owing by the subsidiaries are interest free and repayable on demand.		
		5. INVESTMENTS AND LOANS		
		5.1 Associated companies – Unlisted		
59 922	45 426	Shares at cost	45 021	59 517
–	–	Share of post-acquisition reserves	26 974	29 802
59 922	45 426	Total carrying value	71 995	89 319
21	(6 880)	Loans	11 696	4 702
59 943	38 546		83 691	94 021
		Associated company details are set out on page 32.		
		5.2 Investments		
		Listed investments – available for sale		
12 097	19 275	African Media Entertainment Limited	19 275	12 097
16 059	–	Johnnic Holdings Limited	–	16 059
220 687	240 000	Johnnic Communications Limited	240 000	220 687
		Listed investments – held for trading		
–	–	Other	–	3 360
248 843	259 275		259 275	252 203
		Unlisted investments – available for sale		
14 635	10 903	Long-term preference shares	10 903	14 635
400 000	400 000	Caxton Share Investments (Pty) Limited – preference shares	400 000	400 000
7	–	Other	–	7
414 642	410 903		410 903	414 642
663 485	670 178	**Total investments**	670 178	666 845
723 428	708 724	Fair value of investments and loans	753 869	760 866

Company 2006 R000	Company 2007 R000		Group 2007 R000	Group 2006 R000
		6. INVENTORIES		
		Raw materials	**437 476**	333 446
		Work in progress	**56 364**	50 991
		Finished goods	**94 293**	77 499
			588 133	461 936
		Comprising:		
		Inventory at cost	**535 170**	420 177
		Inventory at net realisable value	**52 963**	41 759
			588 133	461 936
		7. ACCOUNTS RECEIVABLE		
		Trade accounts receivable	**667 463**	588 253
		Allowance for doubtful debts	**(31 611)**	(27 196)
		Prepayment and deferred expenditure	**14 685**	11 136
10 329	**25 345**	Other accounts receivable	**70 890**	97 400
10 329	**25 345**		**721 427**	669 593
		8. PREFERENCE SHARES LISTED – AVAILABLE FOR SALE		
26 506	**24 240**	Preference shares earning a dividend, payable semi-annually, of 72% of prime.	**24 240**	26 506
103 700	**143 846**	Preference shares earning a dividend, payable semi-annually, of 73% of prime.	**143 846**	103 700
68 340	**60 000**	Preference shares earning a dividend, payable semi-annually, of 70% of prime.	**60 000**	68 340
118 443	**105 193**	Preference shares earning a dividend, payable semi-annually, of 68% of prime.	**105 193**	118 443
316 989	**333 279**		**333 279**	316 989
		9. BANK AND CASH RESOURCES		
4 002	**–**	Cash on hand	**309 262**	177 740
19 189	**–**	Cash on call and deposit	**144 967**	129 726
23 191	**–**		**454 229**	307 466

Company 2006 R000	Company 2007 R000		Group 2007 R000	Group 2006 R000
		10. 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		
12 373	12 373	494 939 628 ordinary shares of 2,5 cents each	12 373	12 373
–	–	*Less:* 14 486 141 (2006: 12 235 355) shares held by subsidiary	(362)	(305)
12 373	12 373	480 453 487 ordinary shares of 2,5 cents each	12 011	12 068
–	–	*Less:* 125 000 shares (2006: 187 500) held by share trust	(3)	(5)
12 373	12 373		12 008	12 063
		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.		
		11. 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	122 418	30 021
91 842	122 864	Fair value adjustments – investments	122 864	91 842
96 311	127 333		293 326	169 907
		12. MINORITY INTEREST		
		Balance at beginning of year	11 526	9 709
		Share of earnings	8 325	6 277
		Dividends	(2 687)	(4 460)
		Acquired	(461)	–
		Balance at end of year	16 703	11 526

Company 2006 R000	Company 2007 R000		Group 2007 R000	Group 2006 R000
		13. DEFERRED TAXATION		
–	–	Balance at beginning of year	178 349	136 780
–	–	Income statement transfer	29 055	41 569
–	20 836	Non-distributable reserves transfer – fair valuations	54 057	–
–	–	Prior year adjustment	11 016	–
–	20 836	Balance at end of the year	272 477	178 349
		Deferred taxation comprises temporary differences arising on:		
		– property, plant and equipment	249 836	211 144
	20 836	– investments	20 836	–
		– accounts receivable	41 994	7 465
		– accounts payable	(39 591)	(38 023)
		– assessed losses	(598)	(2 237)
–	20 836		272 477	178 349
		The benefits of the tax losses in the group have been included in deferred tax.		
		14. ACCOUNTS PAYABLE		
–	–	Trade accounts payable	335 604	335 011
30 672	8 131	Sundry accounts payable and accruals	302 212	357 841
30 672	8 131		637 816	692 852
		15. PROVISIONS		
		Bonus		
		Opening balance	45 455	55 885
		Additional provisions	37 418	46 591
		Utilised	(36 494)	(57 021)
		Closing balance	46 379	45 455
		Leave pay		
		Opening balance	15 830	18 561
		Additional provisions	13 111	10 308
		Utilised	(11 971)	(13 039)
		Closing balance	16 970	15 830
		Volume discount allowed		
		Opening balance	11 639	11 081
		Additional provisions	22 509	13 911
		Utilised	(24 159)	(13 353)
		Closing balance	9 989	11 639
		Retrenchments		
		Opening balance	2 000	70
		Additional provisions	3 202	2 000
		Utilised	(2 000)	(70)
		Closing balance	3 202	2 000
		Development and other		
		Opening balance	31 214	19 906
		Additional provisions	22 240	25 627
		Utilised	(21 260)	(14 319)
		Closing balance	32 194	31 214
		Total provisions		
		Opening balance	106 138	105 503
		Additional provisions	98 480	98 437
		Utilised	(95 884)	(97 802)
		Closing balance	108 734	106 138

Company			Group	
2006	2007		2007	2006
R000	R000		R000	R000

16. 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.

17. STAFF COSTS

		– salaries, wages and bonuses	716 050	646 514
		– retirement benefit costs	32 811	28 415
			748 861	674 929

18. DEPRECIATION, AMORTISATION AND IMPAIRMENT EXPENSE

		Depreciation		
		– buildings and leasehold improvements	3 443	2 655
		– plant and machinery	125 093	98 537
		– motor vehicles	5 972	4 794
		– furniture and equipment	16 071	12 355
		Amortisation		
		– publication titles	1 018	–
		Impairment		
		– publication titles	7 392	1 131
		– buildings	(881)	495
		– plant and machinery	36 478	6 851
			194 586	126 818

Reversal of impairment is as a result of an impairment loss previously recognised and measured based on estimates.

Company 2006 R000	Company 2007 R000		Group 2007 R000	Group 2006 R000
		19. OTHER NET OPERATING EXPENSES		
		Income		
		Profit on sale of property, plant and equipment	**518**	515
		Foreign currency profits	**8 811**	13 744
		Fair value increase in investments	**–**	4 318
		Profit on disposal of subsidiaries	**3**	–
–	**–**		**9 332**	18 577
		Expenditure		
		Auditors' remuneration:		
171	**182**	– audit fees	**5 065**	4 292
–	**–**	– under/(over) provision previous year	**(14)**	(16)
–	**70**	– fees for other services	**326**	284
171	**252**		**5 377**	4 560
		Fees for:		
–	**947**	– administrative, managerial and secretarial services	**12 771**	15 515
–	**–**	– royalties	**41 837**	26 940
–	**–**	– technical services	**1 683**	1 710
–	**947**		**56 291**	44 165
–		Foreign currency losses	**588**	1 660
		Operating leases		
–	**–**	– buildings	**9 690**	8 843
–	**–**	– other	**1 543**	2 000
–	**–**		**11 233**	10 843
–	**–**	Loss on disposal of subsidiaries	**–**	1 023

20. DIRECTORS' EMOLUMENTS

R000	Executive directors					Non-executive directors				
	TD Moolman	GM Utian	PG Greyling	MDW Short	TJW Holden	Dr JM Buitendag	PM Jenkins	P Vallet	Dr F van Zyl Slabbert	Total
Directors' fees								171		**171**
Fees for services	2 100	1 920					600			**4 620**
Consulting fees									480	**480**
Basic salary			1 071		1 073					**2 144**
Bonuses			1 100		350					**1 450**
Retirement funding			69		68					**137**
Shares/options exercised					525					**525**
Total 2007	**2 100**	**1 920**	**2 240**	**–**	**2 016**	**–**	**600**	**171**	**480**	**9 527**
Total 2006	4 212	5 580	2 080	1 125	408	118	–	150	360	14 033

	2007 R000	2006 R000
Paid by subsidiaries	**9 527**	14 033

Messrs Gatefield, Desai 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
TD Moolman	700 000	–	700 000	–	R5,01	–	Fully vested
	700 000	–	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
TJW Holden	150 000	(50 000)	100 000	9 Nov 2006	R5,40	R15,90	2007, 2008
	150 000	(50 000)	100 000				

Company 2006 R000	Company 2007 R000		Group 2007 R000	Group 2006 R000
		21. FINANCE INCOME		
5 915	**3 414**	– interest	**31 718**	36 203
25 970	**26 169**	– dividends: listed companies	**26 169**	26 324
22 292	**25 485**	– dividends: unlisted companies	**25 486**	22 293
723 144	**58 512**	– dividends: subsidiary companies	**–**	–
23 374	**67 181**	– net surplus on realisation of investments: available for sale	**65 926**	25 037
800 695	**180 761**		**149 299**	109 857
		22. FINANCE COSTS		
–	**–**	– interest on bank overdraft	**25**	6
3	**9**	– other	**495**	881
3	**9**		**520**	887

Company 2006 R000	Company 2007 R000		Group 2007 R000	Group 2006 R000
		23. TAXATION		
		South African normal tax		
1 715	1 186	– current	168 880	141 785
(317)	(1 121)	– prior year	(35 717)	(2 263)
		Deferred tax		
–	–	– current	29 055	41 569
–	–	– prior year	11 016	–
6 789	10 784	Secondary tax on companies	18 113	14 455
2 671	10 336	Capital gains tax	10 336	2 671
–	–	Foreign tax	3 557	3 998
–	–	Associate companies	5 597	5 921
10 858	21 185		210 837	208 136
231 400	52 348	Tax at the standard rate of 29% (2006: 29%)	240 773	212 841
220 542	31 163	Difference	29 936	4 705
		Reconciled as follows:		
230 485	51 503	– dividend and other non-taxable income	36 162	22 302
(800)	(341)	– disallowable expenses	(7 240)	(3 958)
317	1 121	– effect of prior year	24 701	2 335
(6 789)	(10 784)	– secondary tax on companies	(18 113)	(14 455)
(2 671)	(10 336)	– capital gains tax	(10 336)	(2 671)
–	–	– rate differential foreign tax	(2 566)	–
–	–	– other	7 328	1 152
220 542	31 163		29 936	4 705
		Estimated tax losses included in deferred tax:		
		– at beginning of year	7 872	8 756
		– incurred and acquired during year	2 413	5 639
		– utilised during year	(6 453)	(6 523)
		– at end of year	3 832	7 872
		24. DIVIDENDS		
181 380	222 723	Paid – ordinary	217 222	179 626
		25. PREFERENCE DIVIDENDS		
6	6	– 6% fixed portion	6	6
163	201	– participating preference dividend	201	163
169	207	**Paid**	207	169
6	6	– fixed portion	6	6
201	–	– participating portion declared, paid post year-end	–	201
207	6	**Used in calculation of dividend per share**	6	207

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	
2006	2007		2007	2006
R000	R000		R000	R000

26. EARNINGS PER SHARE

The calculation of earnings per share is based on earnings of	611 088	519 521

and on the weighted number of shares of 480 328 487 (2006: 464 733 068).
Diluted earnings is based on additional shares of 700 000 in respect of share options (2006: 700 000).

27. HEADLINE EARNINGS PER SHARE

Earnings attributable to ordinary shareholders	611 088	519 521
Impairment in value of property, plant and equipment	42 989	8 477
Profit on disposal of property, plant and equipment	(518)	(515)
Surplus on disposal of investments	(65 926)	(23 373)
Loss on disposal of subsidiaries	–	1 023
Tax effect on above adjustments	(2 757)	1 443
Headline earnings	584 876	506 576

28. COMMITMENTS

Capital expenditure on plant and machinery – approved but not contracted	250 000	70 000

The capital expenditure will be financed from existing resources.

Operating lease commitments

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

Within one year	4 125	4 105
After one year, but not more than five years	10 214	12 531
	14 339	16 636

29. 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		
European euro	9,81	94 800	82 040
US dollars	7,24	16 907	3 709
British pounds	14,11	5 289	2 965
Other	–	–	240
		116 996	88 954

30. BORROWING POWERS

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

Company			Group	
2006	2007		2007	2006
R000	R000		R000	R000

31. 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

Executive directors are defined as senior management. Details relating to directors' emoluments and shareholdings (including share options) in the company are disclosed in note 20 and the directors' report respectively.

Controlling shareholders

Messrs. TD Moolman and GM 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 R38,7 million (2006: R34,0 million).

The balance owing to the partnership at the year-end amounted to R3,3 million (2006: R3,4 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.

32. 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. 5 466 (2006: 4 856) of the group's employees are covered by the plans.

33. NOTES TO THE CASH FLOW STATEMENT

33.1 Cash generated by operations

Company 2006 R000	Company 2007 R000		Group 2007 R000	Group 2006 R000
797 932	180 511	Income before taxation	830 250	733 934
–	–	Associate income	(19 123)	(19 032)
(5 912)	(3 405)	Interest received (net)	(31 198)	(35 316)
(771 406)	(110 166)	Dividends received	(51 655)	(48 617)
		Adjustment for non-cash items:		
–	–	– depreciation of property, plant and equipment	150 579	118 341
–	–	– amortisation and impairment	44 007	8 477
(23 374)	(67 181)	– profit on disposal of investments	(65 926)	(25 037)
–	–	– profit/(loss) on disposal of subsidiaries	(3)	1 023
–	–	– fair value increase in investments	–	(4 318)
–	–	– net surplus on disposal of property, plant and equipment	(518)	(515)
–	–	– profit on forex	(8 223)	(12 084)
–	–	– movement in provisions	2 596	635
(2 760)	(241)		850 786	717 491

Company 2006 R000	Company 2007 R000		Group 2007 R000	Group 2006 R000
		33.2 Changes in working capital		
–	–	Increase in inventories	(126 197)	(100 122)
(9 824)	(15 016)	Increase in accounts receivable	(51 834)	(136 800)
17 592	(22 541)	Increase/(decrease) in accounts payable	(46 813)	253 908
7 768	(37 557)		(224 844)	16 986
		33.3 Taxation paid		
(277)	(3 375)	Opening tax payable	(72 452)	(75 885)
(10 858)	(21 185)	Charged in income statement	(170 766)	(166 567)
–	–	*Less:* Associates	5 597	5 921
3 375	9 870	Closing tax payable	51 038	72 452
(7 760)	(14 690)		(186 583)	(164 079)
		33.4 Dividends paid		
(181 543)	(222 924)	Charged to reserves	(217 423)	(179 789)
–	–	Dividends of minority shareholders	(2 687)	(4 460)
(181 543)	(222 924)		(220 110)	(184 249)
		33.5 Investments – subsidiary businesses		
(2 315)	(2 523)	Acquisitions	–	–
(655 150)	3 084	Advances to/(repayments from) group companies	–	–
(657 465)	561		–	–
		33.6 Investments – associates and other investments		
(565 125)	(10 523)	Acquisitions	(10 984)	(559 975)
29 387	175 075	Proceeds from disposal of investments	178 534	38 279
3 482	2 901	Net change in loans and reserves	4 005	5 754
(532 256)	167 453		171 555	(515 942)
		33.7 Cash and cash equivalents		
23 191	(35 648)	Cash – per balance sheet	454 229	307 466
316 989	333 279	Preference shares at fair value	333 279	316 989
235 000	200 000	Other instruments at fair value	200 000	235 000
575 180	497 631	Fair value of cash and cash equivalents	987 508	859 455
(36 953)	(3 244)	Fair value adjustment	(3 243)	(36 953)
538 227	494 387		984 265	822 502

34. 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			
	2007		2006	
	R000	**%**	R000	%
Revenue:				
Publishing, printing and distribution	**3 604 023**	**90**	3 213 592	93
Other	**1 147 609**	**29**	979 149	28
Inter-group sales	**(745 216)**	**(19)**	(724 243)	(21)
	4 006 416	**100**	3 468 498	100
Operating income:				
Publishing, printing and distribution	**480 265**	**73**	462 315	76
Other	**182 083**	**27**	143 617	24
	662 348	**100**	605 932	100
Other information				
Total assets				
Publishing, printing and distribution	**2 450 660**	**50**	1 935 835	45
Other	**2 403 719**	**50**	2 411 244	55
	4 854 379	**100**	4 347 079	100
Total liabilities				
Publishing, printing and distribution	**738 001**	**69**	755 398	72
Other	**333 796**	**31**	295 674	28
	1 071 797	**100**	1 051 072	100
Capital expenditure				
Publishing, printing and distribution	**210 696**	**69**	418 170	82
Other	**94 799**	**31**	90 229	18
	305 495	**100**	508 399	100
Depreciation, amortisation and impairment				
Publishing, printing and distribution	**145 026**	**75**	94 107	74
Other	**49 560**	**25**	32 711	26
	194 586	**100**	126 818	100

CAXTON AND CTP PUBLISHERS AND PRINTERS LIMITED

INFORMATION RELATING TO INTEREST IN SUBSIDIARIES

NAME OF SUBSIDIARY	ACTIVITIES	ISSUED CAPITAL R	HOLDING % 2007	HOLDING % 2006	COST 2007 R000	COST 2006 R000	OWING* 2007 R000	OWING* 2006 R000
DIRECTLY HELD								
Caxton Publishers and Printers	Holding company	28 234	100	100	1 352 228	1 352 228	682 960	686 044
Darwain Investments	Printing	300	60	60	494	494		
Highway Mail	Publishing	100 000	67	67	471	471		
Lumedia	Publishing	100	100	100	3 148	3 148		
Noordwes Koerante	Publishing	250	90	90	–	–		
Northwest Web Printers	Printing	100	90	90	–	–		
Raylene Designs	Repro designs	180	75	55	2 523	–		
Ridge Times	Publishing	4 000	67	67	512	512		
Royal Albatross Properties 2	Property owning	100	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	–	–		
CTP Newspapers – Cape	Printing	100	100	100	–	–		
Direct Stationery U.K.	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	–	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	–	–		
					1 361 873	1 359 350	682 960	686 044

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*

NAME OF SUBSIDIARY	ACTIVITIES	ISSUED CAPITAL R	HOLDING % 2007	HOLDING % 2006	COST 2007 R000	COST 2006 R000	OWING* 2007 R000	OWING* 2006 R000
JOINTLY CONTROLLED ENTITIES								
Maskew Miller Longman Holdings	Publishing	50 000	50	50	13 882	13 882	–	–
MCS Caxton International Press	Distribution	20 000	50	50	–	–	–	–
Mahareng Publishing	Publishing	100	50	–	–	–	–	–
Safeway Publishing	Publishing	100	50	–	–	–	–	–
					13 882	13 882	–	–
					1 375 755	1 373 232	682 960	686 044

CAXTON AND CTP PUBLISHERS AND PRINTERS LIMITED

INFORMATION RELATING TO ASSOCIATED COMPANIES

ASSOCIATE	ACTIVITIES	ISSUED CAPITAL R	HOLDING % 2007	HOLDING % 2006	COST 2007 R000	COST 2006 R000	OWING 2007 R000	OWING 2006 R000
Capital Media (Feb)	Newspaper publisher	4	50	50	–	–	–	–
Carpe Diem	Magazine publisher	120	30	30	3 900	3 000	346	12
FBC Properties	Property owning	100	50	50	1 350	1 350	(623)	107
Heraut Publiseerders	Newspaper publisher	100	49	49	189	189	(250)	(24)
Hutton Trading	Advert delivery	120	30	30	750	750	–	–
Ince Holdings**	Printer	1 000	16	16	787	787	(960)	(480)
Leo Kantoor Meubels	Property owning	100	50	50	(7)	(7)	–	–
Lincroft Books (March)	Newspaper publisher	100	40	40	85	85	(140)	(70)
Lonehill Trading	Magazine publisher	120	45	45	1 170	1 170	829	828
Merpak	Envelope manufacturer	2 857	–	40	–	15 096	–	(1 200)
Mooivaal Media (March)	Newspaper publisher	25 000	50	50	1 565	1 565	(9 999)	(5 500)
Nachas Reproduction	Typesetting	500	50	50	–	–	–	(500)
NXT Thing Now	Digital publishing	100	50	–	–	–	–	–
Ramsay Son & Parker (Feb)	Magazine publisher	24 000	30	30	30 075	30 075	(680)	–
Rising Sun	Newspaper publisher	100	45	45	–	–	1 875	2 550
Ronain Investments	Property owning	500	50	50	33	33	4 505	4 603
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	–	–	2 439	4 589
Tambuti Brits	Property owning	100	50	50	–	–	(2 000)	–
Tambuti Enterprise	Property owning	100	50	50	143	143	–	(1 842)
Tambuti Upington	Property owning	100	50	50	–	–	–	–
Tambuti Vryburg	Property owning	100	50	50	–	–	–	–
Threads & Craft	Magazine publisher	100	30	30	–	300	–	1 629
Wordsmiths	Newspaper publisher	10 000	50	50	3 750	3 750	–	–
					45 021	59 517	(4 658)	4 702

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

The financial year-ends are June unless otherwise stated.

***The existence of significant influence is evidenced by representation on the Board of Directors and participation in policy making.*

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

	ASSOCIATED COMPANIES R000 2007	ASSOCIATED COMPANIES R000 2006	JOINTLY CONTROLLED R000 2007	JOINTLY CONTROLLED R000 2006
BALANCE SHEET				
Fixed assets	32 617	13 267	5 345	5 655
Investments and long-term receivables	12 857	21 912	–	–
Current assets	32 363	43 581	249 500	192 849
Total assets	77 837	78 760	254 845	198 504
Long-term liabilities	13 482	13 300	–	–
Deferred taxation	2 292	3 027	(2 552)	(1 390)
Current liabilities	28 004	31 206	144 541	106 532
Total liabilities	43 778	47 533	141 989	105 142
Attributable net asset value	34 059	31 227	112 856	93 362
INCOME STATEMENT				
Turnover	173 954	173 421	361 082	284 914
Income before taxation	19 132	19 032	111 031	65 024
Taxation	(5 597)	(5 921)	(40 286)	(24 872)
Net income for the year	13 535	13 111	70 745	40 152

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 boardroom, Caxton House, 368 Jan Smuts Avenue, Craighall Park, Johannesburg on Wednesday, 7 November 2007 commencing at 10:30 for the following purposes:

1. To receive and consider the annual financial statements for the year ended 30 June 2007.

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, the unissued shares of the company.”

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 Limited 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 shares (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 25 of the annual report.

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

4.1 **Dr Frederick van Zyl Slabbert** (67) **MA; DPhil Chairman**

Dr van Zyl Slabbert has been Chairman of the Board since 1998. He has been a senior lecturer at various universities and was the leader of the Progressive Federal Party and leader of the official opposition in Parliament during the late 1970s and early 1980s. Dr van Zyl Slabbert has a DPhil and has been conferred with two honorary doctorates. He is a political consultant to various interest groups and is also the chairman of a number of companies and institutions.

4.2 **Mr Terrence D Moolman** (63) **(BA) Chief Executive Officer**

Founder of Caxton and CTP Publishers and Printers Limited.

4.3 **Mr Gordon M Utian** (62) **Managing Director**

Mr Utian joined the Group as Managing Director in 1996. He is a qualified Chartered Accountant and brings years of experience in the manufacturing and retail sectors. Mr Utian has held a number of senior executive positions in listed companies, as well as that of chief executive officer and chairman.

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, 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 Limited ("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;
- 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 its 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 company will provide its sponsor and the JSE with all documentation as required in schedule 25 of the JSE Listings Requirements, and will not commence any repurchase programme until the sponsor has signed off on the adequacy of its working capital, advised the JSE accordingly and the JSE has approved this documentation.

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.

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 9 (which beneficial interests have not changed since 30 June 2007. There are no non-beneficial interests);
- Major shareholders on page 9;
- Material changes in the nature of the company's trading or financial position post 30 June 2007 on page 9;
- The share capital note on page 21.

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 (10 Marshall Street, Johannesburg, 2001/PO Box 61051, Marshalltown 2017) or the company at its registered address (28 Wright Street, Industria West, Johannesburg, 2093 or PO Box 43587, Industria, 2042) by not later than 10:30 on Monday, 5 November 2007.

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
27 September 2007

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Caxton and CTP Publishers and Printers Limited **Proxy form**
SHARE CODE: CAT
ISIN: ZAE000043345

For use ONLY by certified shareholders and own name dematerialised shareholders at the annual general meeting of Caxton shareholders to be held at 10:30 on Wednesday, 7 November 2007, or such later time that may be applicable ("the annual general meeting").

I/We

Print name in full

of appoint (see note 1)

1. or failing him,

2. or failing him,

3. the Chairperson of the general 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 10:30 on Wednesday, 7 November 2007 commencing at 10:30 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		
Resolution number	For	Against	Abstain
1. To approve the annual financial statements for the year ended 30 June 2007			
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 Dr F van Zyl Slabbert as director of the company			
4.2 To re-elect Mr TD Moolman as director of the company			
4.3 To re-elect Mr GM Utian as director of the company			
5. To approve the general authority to acquire own 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 2007

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 Limited at 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) by not later than 10:30 on Monday, 5 November 2007.

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 letter of representation 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 custody agreement between such shareholders and their CSDP or broker.

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