# 03 The Naspers group

## BUSINESS SEGMENT

# Internet (including major brands of associates)

*Investments in internet platforms in Central and Eastern Europe, China, Russia, Brazil, Africa, India and Thailand. Services are primarily delivered to computers and mobile phones.*

# Pay television

*Pay television subscriber platforms and channels in sub-Saharan Africa, as well as investments in mobile television in sub-Saharan Africa.*

# Print media (including major brands of associates)

*Magazines, newspapers, printing, distribution and book publishing businesses in South Africa and sub-Saharan Africa, as well as print media investments in Brazil and China.*

# Technology

*Development of underlying technologies for internet, pay-television and mobile platforms.*

## MAJOR BRANDS

**INTERNET** (including major brands of associates) – 24.com, ACL, Allegro, Ancestry24, Aruodas.lt, Aukro, bixeeCrawlX, pixee.com, Careers24, ceneo.pl Channel24, Compero, Crossfire and Xunixian are licensed games, Dungeon & Fighter, Fin24, EDOMUS.LT, Food24, Gadu-Gadu, GoTravel24, GadunaGlos, GaduRadio, Health24, ibibo, Images24, iStore.pl, Kalahari.net, KV.EE, Litnet.co.za, mail.ru, Mobile QQ, MojaGeneracja, molotok, MWEB (Thailand), MXit, Netads24, News24, Nimbuzz, onefamily, OSTA.EE, otoDom.pl, otoMoto.pl, Qzone, Paipai.com, Platnosci, PayGSM, PayU, Pixrat, Property24, QQ, Ricardo, Sanook!, Skelbia.it, Soso.com, Sports24, Tencent, Tenpay, teszvesz, TM, RTX, TT Explorer, Wheels24, Women24, qq.com QQ Dance, QQ Doctor, QQ Download, QQ Friends, QQ eye, QQ Fantasy, QQ Game, QQ Mail, QQ Member, QQ Music, QQ Live, QQ Pinyi Input Method, 3G.QQ.com, QQ Pet, QQ San Guo, QQ Show, QQ Speed, QQ Tang.

**PAY TELEVISION** – M-Net Action, AfricaMagic, AfricaMagic Plus, Big Brother, Carte Blanche, Channel O, DStv, go, Idols, K-World, kykNET, MK, M-Net, M-Net Movies 1 and 2, M-Net Series, M-Net Stars, MediaZone, MultiChoice Africa, MultiChoice Hellas, NetMed, Nova, Oracle Airtime Sales, SuperSport, SuperSport Travel, SuperSport United Football Club

**PRINT MEDIA** (including major brands of associates)
**NEWSPAPERS – Africa:** Beeld, City Press, Daily Sun, Die Burger, Rapport, Soccer Laduuuuuma!, Son, Sondag, Sunday Sun, The Witness, Volksblad and various community newspapers. **China:** Beijing Youth Daily, Titan Zhou Bao
**MAGAZINES – Africa:** COSMOPOLITAN, Destiny, DRUM, FAIRLADY, FEMINA, FHM, FINWEEK, heat, HUISgenoot, KICKOFF, Landbouweekblad, Men's Health, Move!, PSYCHOLOGIES, Real, SARIE, Sports Illustrated, seventeen, TRUE LOVE, tuis, tv24, tvplus, Twende, *Weg*, YOU and some 45 more. **Brazil:** Claudia, EXAME, Nova, Ana Maria, Vejá, Viagem, Viva! and some 90 more. **China:** Allsports, Golf Digest China, MILK, Outside, SLAM, Soccer Weekly, Yoga Journal **PRINTING** – Paarl Gravure, Paarl Media, Paarl Print, Paarl Labels, Paarl Web, Paarl Web Gauteng, Print24
**LOGISTICS** – MCS24, NLD24, NND24, ON THE DOT **BOOKS** – Atica & Scipione (Brazil), Collegium Botswana, Jonathan Ball Publishers, Leisure Books/Leserskring, NB Publishers, Nasou Via Afrika, Van Schaik Uitgewers

**TECHNOLOGY** – Irdeto, Entriq, BSS

OUR GLOBAL FOOTPRINT

NASPERS

## GROUP OPERATIONS

- Internet
- Pay television
- Print media
- Technology

# Global reach

*Chairman: Ton Vosloo*

*Over the past year the group experienced growth, especially in the internet sector. Performance of the core operations was solid and the development of several business opportunities progressed.*

## OVERVIEW

A number of new investments such as Tradus and Gadu-Gadu are included in our financial results for the first time. We also disposed of some operations. The private education business, Educor, was sold as a going concern. Conditional sale agreements were also concluded for the disposal of the Greek and Cypriot pay-television business (NetMed) to ForthNet SA, a leading Greek telecommunications company. Offers of purchase have been requested for the connectivity business, MWEB, and are currently being evaluated.

Financial performance over the past year is analysed in the financial review on page 18 of this annual report. In summary, revenues grew by 19% to R20,5 billion, largely driven by the pay-television and internet businesses. Operating profit before amortisation and other gains/losses expanded by 15%, despite increased development costs. Core headline earnings grew by 38% and core headline earnings per N ordinary share increased by 16% to R11,16 during the year.

TRADUS

Gadu-Gadu

## INTERNET

The internet segment grew revenues by 42% to R1,6 billion. This expansion came from a solid performance by established operations and the inclusion of the new investments in the current year.

The acquisition of 100% of Tradus was concluded in March 2008. Tradus operates leading trading platforms in 12 countries, offering online auction and fixed-price sales services to consumers. Its primary market is Poland, with operations in Western, Central and Eastern Europe. Over the past year registered users grew by 41% to 12 million. The gross merchandise value of goods traded on its platform expanded by 45% to €1,6 billion and revenues grew 78% to €107 million. We have restructured the group into two focused businesses with the Allegro brand focused on Eastern Europe and Ricardo on the Western European markets.

In China Tencent strengthened its position with the QQ platform, attaining 317 million active registered user accounts. The *QQ.com* portal and wireless service portals continued to build their market position. The *QQ Game* portal reached four million peak simultaneous users. Tencent, which was recently included in the Hong Kong Hang Seng Index, contributed R615 million to the group's core headline earnings.

In Russia mail.ru is experiencing rapid growth, and almost doubled traffic to its portal. The core offering of e-mail services has been growing at a compounded rate of 59% over the past

few years. mail.ru contributed R49 million to our core headline earnings.

In December 2007 we acquired 97% of Warsaw-listed Gadu-Gadu, the leading instant-messaging platform in Poland. Over the past year the number of active instant-messaging users grew by 10% to 5,9 million. The social networking site now has 3,2 million users.

In South Africa connectivity business MWEB maintained its position as the leading internet service provider (ISP). In the rest of the sub-Saharan Africa market, AFSAT is the leading provider of networking solutions through satellite technology. Since the group owns no other ISP services anywhere else, offers of purchase for these services have been requested and are being evaluated.

24.com remains the largest internet publisher in South Africa. MXit doubled its revenue over the period, reaching more than eight million users and launched services abroad.

In India we invested R103 million to develop the greenfields social network services and local search operation ibibo. It is one of the fastest growing Indian internet sites, with 1,7 million registered users. ibibo recently concluded an agreement to partner with Tencent in India.

## PAY TELEVISION

The pay-television segment grew revenues by 22%, largely the result of 246 000 additional equated subscribers. The total subscriber base, excluding the Mediterranean region, encompasses 2,1 million homes. Operating profit before amortisation and other gains/losses increased by 22%. Competition in both South Africa and sub-Saharan Africa is set to intensify in the year ahead, which will continue to exert pressure on content costs and operating margins.

Despite slowing consumer spending, the pay-television business in South Africa experienced subscriber growth. The equated base expanded by 178 000 to 1,57 million households, whilst the personal video recorder (PVR) take-up increased from 133 000 to 242 000 homes. The lower-priced *DStv Compact* bouquet continued to perform well. Two affordable tiers, *DStv Select* and *EasyView*, were, respectively, launched and relaunched to broaden the base.

*DStv*, *M-Net* and *SuperSport* made several changes to their programming line-up to improve their appeal to lower-income households. This included launching new TV channels, own produced local programmes and the acquisition of additional soccer leagues, bringing more sport to the viewing public. SuperSport is now the prime funder of sports leagues on the African continent as a whole.

**2,1** million pay-television households

The subscriber base in sub-Saharan Africa expanded by 68 000 to reach 539 000 homes. Growth was primarily from the Nigerian and Angolan markets. As in South Africa, the introduction of lower-priced family bouquets stimulated sales. The focus on localisation of programming and a broader base of programme offering is stimulating growth.

Shareholders have been advised that conditional agreements had been reached with ForthNet SA, a leading Greek telecommunications company, for the sale of our stake in NetMed, which holds the Greek and Cypriot pay-television operations. On 14 May ForthNet shareholders approved a rights issue to part fund this transaction.

**539** thousand subscribers in sub-Saharan Africa

It is currently expected that the transaction will close later this year. As a consequence of these agreements, the Mediterranean pay-TV business has been treated as a discontinued operation in our financial results.

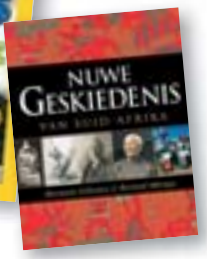
Mobile television services allow consumers to receive a bouquet of TV channels on their mobile phones. The development of this technology is at an early stage, but worldwide launches are proliferating and business models are evolving. Value-added internet type services on mobile phones are also growing. The group will continue to develop products and services in this area. In the current year R86 million was invested in the development of mobile television services.

In South Africa an unfortunate delay has occurred in issuing mobile television licences. In the interim we continue to make progress with mobile TV trials in several major cities.

For the rest of the African continent full mobile TV services are now operational in Nigeria, Kenya and Namibia. Licences have been secured in a number of other countries.

## PRINT MEDIA

Due to declining consumer spending in South Africa, the print media segment had a tough year. After a number of years during which we launched new projects and titles, a number of weaker titles were pruned this year. Revenues grew by 8%, whilst operating profit before amortisation and other gains/losses is 11% down on last year, largely the result of development costs. In the year ahead,



the key focus will be on improving margins and cash flows.

### Newspapers, magazines and printing

Circulation growth for titles such as *Daily Sun*, *Son* and *Soccer Laduuuuuma!*, which focus on the emerging market, remains positive, as well as for titles in certain niche markets such as *Weg*.

There was a marked slowdown in advertising support, particularly in the magazine business. After circulation incidents affecting some magazine titles, the affected advertisers were refunded.

The print media business, Paarl Media, experienced a solid year with the new plant in Gauteng exceeding original expectations.

In Brazil Abril performed well on the strength of a unique magazine delivery network.

The cable distribution service, TVA, was disposed of during the period. Abril's contribution to group core headline earnings was R150 million.

### Book publishing and private education

Revenues and operating profit at the SA unit were reduced by the disposal of retail assets, Van Schaik Retail and Afribooks. The performance of the remaining assets was satisfactory. The private education business was sold during the year and has been treated as a discontinued operation.

## TECHNOLOGY

Irdeto grew its revenues from pay-TV, mobile TV and IPTV services by 24% to R1 billion. Some 10,7 million smart cards and security chips were shipped during the period. With the acquisition of a middleware company, IDWay, and

the group's customer care and billing business, Irdeto now provides an end-to-end solution for its pay-television customers.

In a further diversification of its security foundation Irdeto acquired Cloakware. This unit offers software protection products via software applications.

Entriq continued to grow top-line revenues while expanding its abilities as a technology provider enabling content providers and aggregators to distribute and get paid for entertainment and sports video over broadband. New customer acquisition was generated from internal growth and the purchase of DayPort and Entriq is now being integrated with Irdeto on an operational level.

## DIVIDEND

The board has recommended that the annual dividend be increased by 15% to 180 cents (previously 156 cents) per N ordinary share and 36 cents (previously 31 cents) per unlisted A ordinary share. If approved by the shareholders, the dividends will be payable to shareholders recorded in the share register on 5 September 2008 and will be paid on 8 September 2008. The last date to trade cum dividend will be 29 August 2008.

## STRATEGY AND PROSPECTS

Looking ahead, our growth strategy remains focused on three legs: organically expanding existing businesses, developing new opportunities and seeking attractive investments. Geographically, our attention remains mostly on emerging markets, as these still offer good opportunities for growth. The group has made some substantial investments over the past two years and these will be further developed. Our aim remains to deliver value to our shareholders over the medium and longer term.

Financial performance in the period ahead will be influenced by the timing of regulatory approvals for ventures such as mobile television and the development of internet opportunities. Such services, when launched, typically have an initial negative impact on both earnings and cash flows before they start contributing. In the pay-television segment the level of competition is also expected to intensify.

In South Africa we expect the slowdown in consumer spending to continue. This will have a dampening effect on advertising and circulation revenues. However, in the past pay television has proven resilient to the economic cycle. The macro-economic conditions in our other principal markets are expected to remain buoyant in the year ahead.

## INTEGRITY CHAIN

- Community

- Connection

- Communication

- Commitment

**15%** increase in annual dividend to 180 cents

## STOCK EXCHANGE LISTINGS

During 2007 the company decided to delist its American Depositary Shares (ADSs) from NASDAQ and terminate registration of the ADSs with the Securities and Exchange Commission (SEC) in the USA. Naspers converted its American Depositary Receipt (ADR) programme into a Level I ADR programme.
Its application to list its ADSs on the London Stock Exchange (LSE) was also successful. Level I ADRs are traded in the USA on an over-the-counter (OTC) basis. International investors are therefore able to buy and sell Naspers securities either through the Level I ADR OTC market, the LSE or the JSE.

## CORPORATE GOVERNANCE AND SUSTAINABILITY

As corporate governance and sustainability are essential for stakeholders of the Naspers group, the board of directors aspires to conduct the group's business with integrity. The board of directors is committed to applying appropriate corporate governance policies and practices in each company in the group.

Independent boards of directors, all of which have established their own governance practices and sub-committees that comply, as appropriate to the companies, with the necessary governance and regulatory requirements, govern several of Naspers's subsidiaries.

For the ensuing financial year, Naspers will continue to evaluate areas where governance at a corporate and subsidiary level can be strengthened. The implications of the new proposed Companies Bill in South Africa, as well as the King II code on Corporate Governance (currently under review) will also be analysed and appropriate steps taken.

Naspers prepared a sustainability report for the first time according to the Global Reporting Initiative (GRI) application level C. The document is available on our website (**www.naspers.com**).

## Risk management

Managing risk plays a central role in the day-to-day operations of all our businesses. As an international multimedia group with business activities in various countries, the group is exposed to a wide range of risks that may have serious consequences. The diversified nature of the group does, however, assist in spreading exposure.

The Naspers board, in conjunction with the boards of major subsidiary companies, is responsible for determining risk management and control procedures, as well as for evaluating the effectiveness of those procedures. The identification of risks and their management form part of each business unit's business plan.

Risk management functions have been established in the larger group companies and the process is subject to periodic review.

The following major risks are evident, among a wide range of related exposures:

- global political and market developments
- competition and technical innovations
- currency fluctuations
- legislation and regulations
- political and economic instability
- technology failures.

While these risks are mostly outside the board's control, measures may be implemented to limit or prevent the effects.

## Commitment to empowerment

Naspers supports the aim to incorporate previously disadvantaged communities into South Africa's mainstream economy.

**235** million rand paid out to BEE participants in the Welkom Share Scheme

The Welkom Share Scheme, which was launched in 1999, matured in the 2007 financial year with every R1 000 invested yielding a return of R31 000. The total paid out to BEE (black economic empowerment) participants was R235 million.

Media24 successfully concluded a broad-based BEE share offer, Welkom Yizani, resulting in approximately 100 000 black people and groups indirectly owning 15% of Media24 Limited.

MultiChoice South Africa completed two successful empowerment transactions, Phuthuma Nathi and Phuthuma Nathi 2. These transactions were structured

to be truly broad based. Approximately 120 000 black people and groups now own indirectly 20% in aggregate of MultiChoice South Africa Holdings (Proprietary) Limited.

A detailed corporate governance and sustainability review (including risk management) can be found on pages 41 to 51 of the annual report.

## DIRECTORS

In terms of the company's articles of association, one-third of the non-executive directors retire annually and reappointment is not automatic. Prof G J Gerwel and Messrs J J M van Zyl and B J van der Ross, who retire by rotation at the annual general meeting, being eligible, offer themselves for re-election.

Mr J P Bekker was reappointed as chief executive for a fixed term of five years with effect from 1 April 2008, following his unpaid sabbatical of one financial year. Shareholders will be asked to consider the re-election of those directors who retire by rotation, and to approve the appointment of Mr J P Bekker as managing director at the upcoming annual general meeting, notice of which is contained in this annual report. The abridged curricula vitae of all the directors appear in the directorate on pages 52 and 53 of the annual report.

## PEOPLE

Fast-moving markets demand that we are flexible and adapt quickly to rapid change. The group requires the right skills to meet the challenges in each of the markets in which we operate. We are proud of the contribution made by our people in so many countries. Over the past year they have shown character and enterprise to achieve most of the goals our businesses were set. We appreciate their dedication.

Finally, my thanks to my fellow board members for their guidance and support during what has been a busy year.

**Ton Vosloo**
*Chairman*

# Solid growth

*This review presents the highlights of the group's financial performance during the past year. Full details can be found in the annual financial statements presented on pages 57 to 160 of this annual report.*

## OVERVIEW OF GROUP RESULTS

### Revenue

The group reported revenue growth of 19% to R20,5 billion. The star was the internet segment, which grew by 42%. The pay-television segment expanded by 22% – subscriber growth over the period was 246 000 equated subscribers.

### Operating profit

Operating profit before amortisation and other gains/losses grew by 15% to R4,2 billion (2007: R3,7 billion). Included is R1,1 billion (2007: R876 million) that the group invested in developing new technologies, products and services. This spend was lower than anticipated, due to the slower rollout of mobile television services, which are dependent on the issuance of commercial licences by regulatory authorities.

### Finance income

Net finance income for the period amounted to R1,0 billion, compared with net finance costs of R338 million in the prior year. This includes interest income earned of R602 million on net cash deposits. As the capital raised in March 2007 was only deployed in the latter half of the current financial year, interest income in the year ahead will be lower.

### Equity-accounted results

In the recent past the group acquired substantial minority stakes in businesses in emerging markets such as China, Brazil and Russia. For reporting purposes, these are equity-accounted and are excluded from the segmental results in the financial review. Tencent, Abril and mail.ru have all recorded pleasing growth, reflected in our share of earnings from equity-accounted associates, growing by 93% to R654 million.

The impairment of equity-accounted investments relates mostly to our investment in Beijing Media Corporation Limited and Titan Media. Whilst positive about the future prospects of these investments, we believe it prudent to record an impairment charge.

### Discontinued operations

The discontinued operations relate to the private education business, which was sold, as well as to the pay-television activities in Greece and Cyprus, where sale agreements have been concluded and which we hope to close later this year.

## Headline earnings and core headline earnings

The net effect of the above is that core headline earnings grew by 38% for the period to R3,9 billion. The "Calculation of Headline and Core Headline Earnings" is detailed in the table below:

### CALCULATION OF HEADLINE AND CORE HEADLINE EARNINGS

| | Year ended 31 March 2008 R'm | Year ended 31 March 2007 R'm |
|---|---|---|
| **Net profit attributable to shareholders** | **3 418** | 1 999 |
| Adjusted for: | | |
| – impairment of goodwill and other assets | **48** | 114 |
| – profit on sale of property, plant and equipment | **(15)** | (8) |
| – discontinuance of operations | **82** | – |
| – gain on loan settlement | **(87)** | – |
| – loss on sale of investments | **512** | 279 |
| – impairment of equity-accounted investments | **348** | 176 |
| | **4 306** | 2 560 |
| Total tax effects of adjustments | **(486)** | (4) |
| Total minority interest of adjustments | **(14)** | 4 |
| **Headline earnings** | **3 806** | 2 560 |
| Discontinued operations | **(258)** | (157) |
| Headline earnings from continuing operations | **3 548** | 2 403 |
| **Headline earnings** | **3 806** | 2 560 |
| Adjusted for: | | |
| – creation of deferred tax assets | **(244)** | (30) |
| – treasury-settled share schemes charge | **47** | 42 |
| – amortisation of intangible assets | **410** | 173 |
| – fair value adjustments and currency translation differences | **(71)** | 109 |
| **Core headline earnings** | **3 948** | 2 854 |
| Discontinued operations | **48** | (26) |
| Core headline earnings from continuing operations | **3 996** | 2 828 |

As regularly reported to shareholders, the board remains of the view that core headline earnings is an appropriate measure of the sustainable operating performance of the group, as it adjusts for non-recurring and non-operational items.

## SEGMENTAL REVIEW

| | Revenue | | | EBITDA | | |
|---|---|---|---|---|---|---|
| | 2008 R'm | 2007 R'm | % Change | 2008 R'm | 2007 R'm | % Change |
| Pay television | **11 542** | 9 427 | 22 | **4 272** | 3 504 | 22 |
| Internet | **1 624** | 1 143 | 42 | **(64)** | 19 | – |
| Technology | **1 081** | 866 | 25 | **(126)** | (130) | 3 |
| Newspapers, magazines and printing | **5 355** | 4 823 | 11 | **776** | 787 | (1) |
| Book publishing | **916** | 983 | (7) | **82** | 119 | (31) |
| Corporate services | **–** | (23) | – | **(40)** | (55) | – |
| | **20 518** | **17 219** | **19** | **4 900** | **4 244** | **15** |

| | Operating profit before amortisation and other gains/losses | | | Operating profit | | |
|---|---|---|---|---|---|---|
| | 2008 R'm | 2007 R'm | % Change | 2008 R'm | 2007 R'm | % Change |
| Pay television | **3 940** | 3 218 | 22 | **3 845** | 3 146 | 22 |
| Internet | **(142)** | (30) | – | **(234)** | (102) | – |
| Technology | **(168)** | (167) | (1) | **(250)** | (226) | (11) |
| Newspapers, magazines and printing | **575** | 619 | (7) | **491** | 561 | (12) |
| Book publishing | **75** | 111 | (32) | **69** | 96 | (28) |
| Corporate services | **(42)** | (58) | – | **(43)** | (59) | – |
| | **4 238** | **3 693** | **15** | **3 878** | **3 416** | **14** |

## OUR GROUP COMPANIES COMPRISE THE FOLLOWING TYPES OF INTERESTS:

- Investments in internet platforms in Central and Eastern Europe, China, Russia, Brazil, Africa, India and Thailand. Services are primarily delivered to computers and mobile phones
- Pay-television subscriber platforms and channels in sub-Saharan Africa, as well as investments in mobile television in sub-Saharan Africa
- Irdeto and Entriq are developing underlying technologies for these platforms
- Print media comprises magazines, newspapers, printing and distribution in South Africa and sub-Saharan Africa, as well as print media investments in Brazil and China
- Publishing of general and educational books.

## CASH FLOWS AND BALANCE SHEET

During the year a three-year revolving credit facility of US$1,4 billion was raised to fund the Tradus acquisition. The balance sheet remains sound with a gearing ratio of 11%, excluding transponder leases. Free cash flow generated by the group in the current year was R2,2 billion, similar to last year.

## SIGNIFICANT ACQUISITIONS

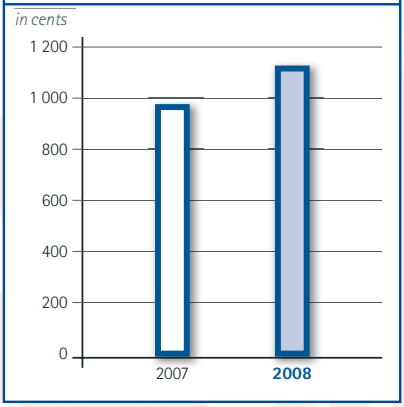
In March 2008 the group acquired 100% of the issued share capital of Tradus plc., a company providing online consumer trading platforms and related internet services that connect buyers and sellers. The consideration was R15,3 billion, including acquisition costs of R74 million. The group is currently finalising the purchase price allocation and has recorded the purchase consideration, based on a preliminary appraisal, as follows: net tangible assets (R491 million), intangible assets (R461 million) and the balance to goodwill.

In December 2007 the group acquired 97% of the issued share capital of Gadu-Gadu S.A., the leading instant-messaging platform in Poland. The cost was R1,1 billion, including acquisition costs of R29 million. The group has recorded the purchase consideration, based on an appraisal, as follows: net tangible assets (R191 million), intangible assets (R224 million) and the balance to goodwill.

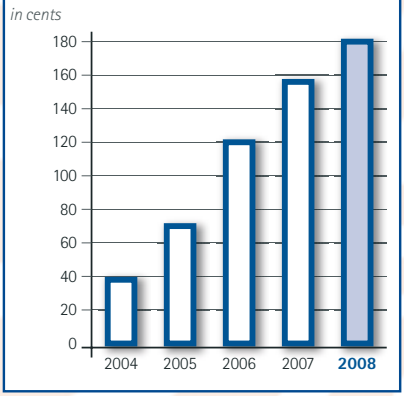
In December 2007 the group acquired 100% of the issued share capital of Cloakware Inc., a company providing software security solutions, for a consideration of R505 million. The group has recorded the purchase consideration, based on an appraisal, as follows: net tangible liabilities (R204 million), intangible assets (R485 million) and the balance to goodwill.

The revenues and profits recorded from these acquisitions were not material to the group's consolidated results for the year.

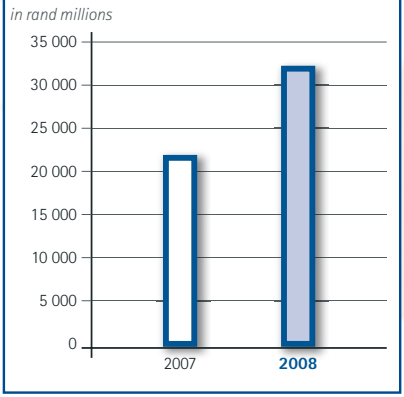
### CORE HEADLINE EARNINGS PER SHARE




### DIVIDEND PER N SHARE (proposed)




### SHAREHOLDERS' EQUITY



In November 2007 the group finalised its acquisition of a 40% interest in M-Net/SuperSport as announced in November 2006. The total consideration was settled through the issuance of 21 601 667 Naspers N ordinary shares and R250 million in cash. The fair value of the shares issued was R180 per share on 30 November 2007. The group has recorded the purchase consideration, based on an appraisal, as follows: net tangible assets (R369 million), intangible assets (R528 million) and the balance to goodwill.

## DISCONTINUED OPERATIONS

In October 2007 Media24 announced that it had accepted an offer to sell its private education business, Educor, which was sold as a going concern. Media24 has retained certain minor assets. Educor incurred a net loss from operations of R153 million during the year ended 31 March 2008. The group also recorded a loss on discontinuance of operations of R82 million.

In October 2007 the group announced that it had initiated a formal process to sell NetMed. In April 2008 the group made a further announcement that it had entered into conditional sale agreements for the disposal of NetMed to ForthNet SA. NetMed recorded a net profit from operations of R396 million during the year ended 31 March 2008.

These transactions have been accounted as discontinued operations in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

## ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING TREATMENT

The financial results are prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the South African Companies Act, No 61 of 1973, and in compliance with the Listings Requirements of the JSE Limited. The accounting policies used to prepare the results are consistent with those applied in the previous period, except for the changes in accounting standards as indicated below. A copy of the unqualified audit opinion of the auditor, PricewaterhouseCoopers Inc., is available for inspection at the registered office of the company.

### Changes in accounting standards

*IFRS 7 "Financial Instruments: Disclosures"* – The standard requires new disclosures on financial instruments to those currently mandated by IAS 32 "Financial Instruments: Presentation".

*Amendment to IAS 1 "Presentation of Financial Statements: Capital Disclosures"* – The amendment requires additional disclosures of the group's objectives, policies and processes for managing capital.

The group has provided the disclosures, including comparative information, in the relevant notes to the annual financial statements included on pages 57 to 160 of this annual report.

*Circular 8/2007 "Headline Earnings"* - This replaces Circular 7/2002 *"Headline Earnings"* and provides detailed guidance for calculating headline earnings as required by the JSE. The circular was adopted by the group and had no material effects on the group's previously reported results.