ANNUAL REPORT

07

AFRICAN MEDIA ENTERTAINMENT

CONTENTS

GROUP PROFILE

AFRICAN MEDIA ENTERTAINMENT

(Incorporated in the Republic of South Africa)
(Registration number 1926/008797/06)
(JSE code: AME)
(ISIN: ZAE 000055802)

African Media Entertainment Limited ("AME") is a broadcast company listed in the media and entertainment sector of the JSE Limited.

AME's operations are:

Radio broadcasters:

OFM

Covering Central South Africa – Free State, Northern Cape, North-West Province and Vaal Triangle

Algoa FM

Covering the Eastern and Southern Cape

Radio advertising companies:

United Stations

Specialist radio sales house operating countrywide

Radio Heads

Radio specialist focused on branded content and direct response radio

DIRECTORATE AND EXECUTIVE

Board of directors

ACG ("Connie") Molusi (45)
Non-executive Chairman
BJournalism, MA
Appointed 18 March 2004

Connie has been involved with the media industry for many years and holds a number of directorships.

Zenwill Lacob (59)
Non-executive director
BA LLB (Wits), LLB (Jerusalem), LLM (Wits)
Appointed 5 June 2002

Zenwill is a senior lawyer with extensive commercial, corporate and media experience. Zenwill has practised law in South Africa for thirty years.

Marthinus J Prinsloo (53)
Non-executive director
BCom (Law), CA(SA)
Appointed 13 November 2003

Inus has spent many years in the merchant banking industry and now runs his own practice as a corporate financial advisor.

Wilfred Tshuma (38)
Non-executive director
BCom (Hons) (Zimbabwe)
Appointed 7 July 2004

Wilfred has held internal audit and financial positions with a number of banks. He now runs his own business as a property investment consultant.

Linda Thango (38)
Non-executive director
BA (Hons) Literature (UNP)
Appointed 8 March 2005

Linda has extensive experience in management consulting and is currently chairperson of an investment company.

Executive management

The group is managed by the senior executives of its major subsidiaries:

Rivak Bunce (46)
United Stations and Radio Heads

Rivak has a strong background in training, having run his own training franchise for several years. He joined Radio 702 in 1987, rising to the position of sales manager. He subsequently worked for Primedia Group as group sales director until co-founding United Stations in March 2000. He joined the AME group when that company was acquired in November 2002.

Lyndon Johnstone (44)
Seyalemoya Communications – OFM

Lyndon started his career in journalism in Cape Town with *Die Burger* and SABC, after studying at the Peninsula Technicon in Bellville. Lyndon moved into the commercial sector of broadcasting when he joined OFM as News Editor in 1999. He was appointed Managing Director in March 2003. Lyndon resigned with effect from 28 February 2008 and works as a consultant to the group. He has been replaced by Gary Stroebel, the sales and marketing director of OFM.

David Tiltmann (43)
Umoya Communications – Algoa FM

David obtained his BCom from UPE in 1986. He began working for Algoa FM as a freelance announcer in 1989 and has held positions as Music Manager, Programme Manager and Operations Manager since then. He was appointed Managing Director of the station in February 2000.

CHAIRMAN'S REPORT

Review of the year

The buoyant market conditions experienced in the last financial year continued into the current year with the continued growth in retail spending benefiting advertising spend across the group. Sales revenue for the year increased by 18% over the previous year from R115,0 million to R136,1 million with both Algoa FM and OFM exceeding their previous year's revenue. United Stations, the group's advertising selling agency, also produced excellent results when compared to last year, with new business being the driver of their performance. Radio Heads, which offers branded content and Direct Response Radio to advertisers, has also enjoyed a significant improvement over the previous year.

Algoa FM celebrated its 21st birthday in style in 2007. Turnover for the financial year increased to R63,2 million, up by 15,1% from the previous financial year. One of the biggest contributing factors for this growth was the increase in the radio station's non-traditional revenue streams. Net profit grew by 21,9% compared to last year. The station's past seven day audience is up by 120 000 or 18% to 786 000 listeners. Algoa FM also launched its new studio and offices at Hemmingway's Casino in East London in December and lodged a licence amendment application to ICASA to expand the station's footprint into Knysna, George, Mossel Bay and Oudtshoorn.

OFM continued to show positive growth in revenue, with its ground-breaking Direct Sales Programme, Image Plus, contributing to more significant growth in the direct market. OFM continues to entrench itself as an inspirational brand with national and international television exposure through its sponsorship of central South Africa's rugby and cricket teams adding to the brand's appeal. OFM continues to involve itself actively in the community through its Social Responsibility campaigns and the Let's Play initiative. OFM's winter campaign collected 14 000 blankets which were distributed to the needy across central South Africa. With the radio station investing in non-traditional revenue streams, a similar growth rate can be expected.

Specialist media sales house United Stations also exceeded budget. As one of its strategic priorities it increased its portfolio and inventory, with the addition of Yarona FM, the Citizen Business Section, MineWeb.com, MPower FM, RNW Radio North West, opportunities on MoneyWeb's Power Lunch on CNBC Africa as well as the newly launched Moneyweb web sites Tycoon, moneywebtax, realestateweb, politicsweb and sportingweb. In line with the increased client base United Stations has made significant investment in capacity and is well positioned to take advantage of the opportunities presented by the growth in its client base.

RadioHeads is a small team of radio specialists which delivers consistently good results for its clients. Well positioned in a media industry that often finds radio planning too cumbersome and that lacks the skills and know how to most effectively tap into the power of this medium, RadioHeads offers radio skills and a passion for the medium to both advertisers and agencies alike. By honing its product offerings that include Branded Content, Station Imaging, Creative, Campaign management and Direct Response Radio Solutions, RadioHeads produced a net profit, in only its second full year of operation.

During April 2007, ICASA awarded MPower FM the licence to broadcast into Mpumalanga. AME, which has a 24,9% shareholding in MPower FM, also has a sales contract with it and was responsible for setting up the radio station which went on air successfully on 3 December 2007. AME also has a sales contract with RNW which was recently granted a sound broadcasting licence for the North West Province.

During November 2007, AME succeeded with its review by the Competition Appeal Court of the Competition Tribunal's approval of Primedia's acquisition of New Africa Investments Limited ("NAIL"). The Competition Appeal Court referred the acquisition by Primedia of NAIL back to the Competition Tribunal. The board still remains confident that AME's offer to purchase NAIL's interest in Kaya FM will succeed.

Margins were maintained, however operating expenses increased by 8,9% due mainly to additional staff requirements and increased marketing spend by the radio stations to increase brand awareness and also in celebration of their 21 years of broadcasting.

Net finance income of R3,3 million increased by R1,1 million over the previous year and was attributable to the constantly improving cash position.

The loss from the Associate is in respect of AME's share of MPower FM's results for the same period. These results are in line with budget.

The profit attributable to ordinary shareholders amounted to R23,8 million (2006: R17,8 million) with earnings per share of 279,4 cents (2006: 209,0 cents) increasing by 34% over the previous year. Headline earnings per share were 278,8 cents (2006: 208,2 cents) increasing by 34% over the previous year.

Cash generated from operations amounted to R39,8 million, of which R3,4 million has been invested in equipment and land and R13,6 million paid in tax. The group ended the year with R44,2 million in cash compared with R23,8 million at the end of the previous year.

The group continues to focus on new business opportunities, efficiencies, control of costs and to enhance its earnings. The continued increase in interest rates and the slow down in retail sales may have an adverse impact on adspend in the forthcoming months which in turn may impact on the business.

A special dividend of 200 cents per share was declared on 19 October 2007, payable on 19 November 2007. Sufficient cash resources were retained to fund organic growth opportunities and the possible acquisition of a 24,9% interest in Kaya FM.

Based on the performance of the group for the first few months of the new financial year, we are optimistic that AME's results for the forthcoming 12 months are expected to exceed those of the past financial year.

ACG Molusi
Chairman

3 April 2008

CORPORATE GOVERNANCE

AME supports the principles set out in the King II Report on Corporate Governance and, where appropriate to the group, is committed to the implementation of these principles.

As a result of the size of the group, it has been neither appropriate nor financially expedient to set up the expensive structures envisaged by the King Report e.g. internal audit. However, where the group's resources have allowed, compliance has been achieved in the following areas:

Board of directors

The board presently comprises five non-executive directors and is scheduled to meet a minimum of four times in the year. During the year under review it met a total of four times.

Board meeting attendance

	Dec 2006	Mar 2007	Jun 2007	Sep 2007
ACG Molusi	✓	A	✓	✓
Z Lacob	✓	✓	✓	✓
MJ Prinsloo	✓	✓	✓	A
W Tshuma	✓	✓	✓	A
L Thango	A	✓	X	✓

X – did not attend
A – apology

Financial

The directors acknowledge responsibility for the preparation of the annual financial statements, which, in their opinion, fairly present the state of affairs of the company and the group at the end of the year and their operations and cash flows for the year ended 31 October 2007. The external auditors are responsible for reporting on the fair presentation of these financial statements.

The financial statements set out in this report have been prepared by the directors in accordance with International Financial Reporting Standards. They are based on appropriate accounting policies, which have been consistently applied and which are supported by reasonable and prudent judgements and estimates. The directors also prepare the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements. The financial statements have been audited by independent auditors Charles Orbach & Company, who were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate.

Risk management

The purpose of risk management is to identify risk and assess its impact on the group. This is a continuing process, commencing at board level and filtered down to all levels of management by reporting and checking mechanisms.

Audit committee

The committee presently comprises:

- MJ Prinsloo *(Chairman)* – non-executive director
- W Tshuma *(Member)* – non-executive director
- N Sooka *(Member)* – independent consultant

Members of the group’s financial management and the independent auditors attend all meetings by invitation. The committee meetings focus on financial reporting requirements, both internal and external, and review fees charged by the independent auditors (for audit and consulting assignments) and directors for their professional services beyond their roles as directors and the appointment of the independent auditors. At present the committee does not have a written charter. The audit committee members have considered and are of the opinion that they are adequately independent from the company and group, and managements thereof, within the full spirit of the Code of Corporate Practices and Conduct.

Audit committee meeting attendance

	Dec 2006	Jun 2007	Oct 2007
MJ Prinsloo	✓	✓	✓
W Tshuma	✓	✓	A
N Sooka	✓	✓	✓

A – apology

Remuneration committee

The committee presently comprises:

- Z Lacob *(Chairman)* – non-executive director
- I Prinsloo *(Member)* – non-executive director
- W Tshuma *(Member)* – non-executive director
- K Reed *(Member)* – financial director Algoa FM
- M Vermeulen *(Member)* – financial director OFM
- N Sooka *(Member)* – independent consultant

The committee comprises three non-executive directors and representatives from the group's subsidiary companies' financial management.

The committee makes proposals regarding remuneration paid to non-executive directors. It also reviews management's remuneration policies and makes recommendations on the remuneration to the group's staff, particularly incentive-based remuneration.

Both board sub-committees are scheduled to meet twice in the current year, however, they will meet additionally if considered necessary to perform the functions for which they were established.

Remuneration committee meeting attendance

	Dec 2006	Feb 2007
Z Lacob	✓	✓
MJ Prinsloo	✓	✓
W Tshuma	✓	✓
K Read	✓	✓
M Vermeulen	✓	✓
N Sooka	✓	✓

Internal controls

The system of internal controls established by management is considered sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for the group's assets for its stakeholders.

Employment equity and skills development

Throughout the group, equitable employment policies are in use to ensure individuals from all demographic groupings are given the opportunity to be employed and trained by the group. The group places an increased emphasis on maintaining and training those members of staff who can provide excellent service in a small team environment. To this end the staff incentive scheme will provide financial rewards appropriate to the personal performance of individual staff members.

HIV/AIDS

The board has given consideration to the HIV/AIDS pandemic and its possible impact on the group's human resources. Due to the high quality of our staff and their level of education, the board does not believe that there is a greater chance of losing staff from HIV/AIDS than from any other medical condition. However, it is accepted that the threat of HIV/AIDS to the country is real and the board will continue to consider any impact on the group's staff.

Going concern

The going concern basis has been adopted in preparing the financial statements. The current strong financial position, and the continued tight control on expenditures and cash flows, give the directors reason to believe that the business of the group will continue to function as a going concern for the foreseeable future.

Company secretarial and professional advice

All directors have unlimited access to the advice and services of the company secretary, who is responsible to the board for ensuring that board procedures are followed. All directors are entitled to seek independent professional advice, at the group's expense, concerning the affairs of the group, after obtaining the approval of the chairman.

ADMINISTRATION

African Media Entertainment Limited
Incorporated in the Republic of South Africa
Registration number: 1926/008797/06
Share code: AME
ISIN: ZAE000055802

Sponsor
Arcay Moela Sponsors (Pty) Limited
Registration number 2006/033725/07
Arcay House, 3 Anerley Road
Parktown
Johannesburg 2001

PO Box 62397, Marshalltown 2107

Secretary and registered office
N Sooka
5th Floor, Park Terras
33 Princess of Wales Terrace
Parktown
Johannesburg 2001

PO Box 3014, Houghton 2041

Auditors
Charles Orbach & Company
Chartered Accountants (SA)
Registered auditors
Associated worldwide with Baker Tilly International
Third Floor, 3 Melrose Boulevard
Melrose Arch, Johannesburg 2076

Transfer secretaries
Computershare Investor Services (Pty) Limited
Ground Floor, 70 Marshall Street
Marshalltown
Johannesburg 2001

PO Box 61051, Johannesburg 2107

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Bankers
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2nd Floor, Absa Towers North
180 Commissioner Street
Johannesburg 2001

Legal advisors
Zenwill Lacob Attorneys
32 St John Road
Houghton
Johannesburg 2198

Fluxmans Attorneys
11 Biermann Avenue
Rosebank
Johannesburg 2196

STATEMENT OF RESPONSIBILITY AND APPROVAL BY THE BOARD OF DIRECTORS

The directors are required by the Companies Act of South Africa, 1973, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company and the group as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards.

The external auditors are engaged to express an independent opinion on the financial statements. The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the year to 31 October 2008 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future. The external auditors, Charles Orbach & Company have audited the financial statements for the year ended 31 October 2007 and their unqualified report appears on page 11.

The financial statements set out on pages 12 to 31, which have been prepared on the going concern basis, were approved by the board of directors and are signed on its behalf by:

ACG Molusi
Non-executive Chairman

3 April 2008

DECLARATION BY COMPANY SECRETARY

In terms of section 268 G(d) of the Companies Act 1973, as amended, I certify that the company has lodged, or will shortly lodge with the Registrar of Companies, all such returns as are required by the Companies Act.

N Sooka
Company secretary

3 April 2008

REPORT OF THE INDEPENDENT AUDITORS

To the members of African Media Entertainment Limited

We have audited the accompanying annual financial statements and group annual financial statements of African Media Entertainment Limited, which comprise the directors' report, consolidated and separate balance sheets as at 31 October 2007 and the consolidated and separate income statements, statements of changes in equity and cash flow statements for the year then ended, a summary of significant accounting policies and other explanatory notes, set out on pages 12 to 31.

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, 1973.

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements 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 auditors' 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 management, 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 financial statements fairly present, in all material respects, the consolidated and separate financial position of African Media Entertainment Limited as at 31 October 2007 and its consolidated and separate financial performance and 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.

Charles Orbach & Company

Charles Orbach & Company
Chartered Accountants (SA)
Registered Auditors

Per: L Vroom
Partner

3 April 2008
Johannesburg

DIRECTORS' REPORT

for the year ended 31 October 2007

Nature of business

The group's main activities are set out on page 2 of this report.

Financial results

The financial results of the group and of the company are set out on page 15 of this report. A review of the group's results and performance of the business units is given in the Chairman's report on page 4.

Dividends

A special dividend of 200 cents per share (2006: Nil) was declared on 19 October 2007 and paid on 19 November 2007.

Share capital

Authorised and issued share capital

There were no changes in the authorised or issued share capital of the company during the year under review.

Directorate and secretary

Details of the directorate are given on page 3 of this report. Details of their remuneration are set out below:

	Fees R'000	Other R'000	**Total 2007 R'000**	Total 2006 R'000
ACG Molusi *(non-executive)*	15	–	**15**	18
Z Lacob *(non-executive)*	54	–	**54**	45
MJ Prinsloo *(non-executive)*	60	–	**60**	77
W Tshuma *(non-executive)*	30	–	**30**	31
L Thango *(non-executive)*	12	–	**12**	7
Total remuneration	171	–	**171**	178
Paid by the company	130	–	**130**	129
Paid by the subsidiaries	41	–	**41**	49
Total remuneration	171	–	**171**	178

In terms of the articles of association of the company, not less than a third of the directors retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

None of the directors of the company have a director's service contract with the company.

As at 31 October 2007, the aggregate direct and indirect, beneficial and non-beneficial interests of the directors in the fully paid issued share capital of the company, was nil (2006: nil). There has been no material change in the directors' interests in the issued share capital between 31 October 2007 and the date of this report.

Property, plant and equipment

The group acquired property, plant and equipment at a cost of R3 512 000 (2006: R3 255 000) during the financial year under review. There have been no major changes in the nature of or the policy relating to the use of property, plant and equipment in the group.

Post-balance sheet events

During the financial year, the company renewed the cautionary announcements regarding its offer to New Africa Investments Limited ("NAIL"), for NAIL's interest in Kaya FM, for R25 million. Shareholders were advised that the review at the instance of AME referred to in the announcements was successful and the Competition Appeal Court referred Primedia's offer for NAIL back to the Competition Tribunal for consideration.

The board remains confident that AME's offer to purchase NAIL's interest in Kaya FM will succeed, but in view of the anticipated additional time that it will take for the matter to be finally resolved, the cautionary announcement was withdrawn.

There have been no further matters between the group's year end and the date of this report that require to be brought to the attention of shareholders.

Investment in subsidiary companies

During the financial year, the company disposed of 99,9% of its investment in Radio Heads Investment Holdings (Pty) Limited. The selling price was settled in exchange for Cumulative Redeemable Preference Shares issued by the purchasers. Radio Heads Investment Holdings (Pty) Limited and its subsidiary, Radio Heads (Pty) Limited are, still controlled by African Media Entertainment Limited in accordance with the terms of a shareholders' agreement.

The financial information in respect of the company's interest in its major subsidiary companies is set out in note 5 on page 24 of the financial statements.

The aggregate profits and losses after taxation of the subsidiaries attributable to the company amounted to R27 558 000 (2006: R21 910 000).

Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis assumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Employee share incentive schemes

Details of options granted to employees, excluding any directors, are detailed in note 21. No options were exercised or exercisable in the current financial year.

The share scheme presently holds 89 275 (2006: 89 275) ordinary shares, none of which have been allocated. Other than these shares, no further shares have been set aside for the scheme. In terms of the Trust deed, up to 10% of the company's share capital, being 862 831 ordinary ordinary shares, can be utilised for purposes of the scheme at 31 October 2007. The group has discontinued the separate share schemes operated by its Radio Station subsidiary companies.

BALANCE SHEETS

as at 31 October 2007

	Notes	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
ASSETS					
Non-current assets		**41 308**	39 221	**58 833**	49 309
Property, plant and equipment	3	**6 184**	4 645	**–**	–
Goodwill	4	**30 426**	30 428	**–**	–
Investment in subsidiaries	5	**–**	–	**56 800**	48 773
Investment in associated companies	6	**1 170**	–	**1 495**	–
Other financial instruments	7	**2**	–	**538**	536
Deferred taxation	8	**3 526**	4 148	**–**	–
Current assets		**84 135**	48 434	**23 782**	9 959
Trade receivables	9	**38 721**	24 167	**–**	–
Other receivables		**1 248**	418	**899**	414
Cash and bank balances		**44 166**	23 849	**22 883**	9 545
Total assets		**125 443**	87 655	**82 615**	59 268
EQUITY AND LIABILITIES					
Total equity		**68 705**	60 887	**60 817**	54 390
Share capital	10	**8 539**	8 539	**8 628**	8 628
Share premium		**31 909**	31 909	**32 356**	32 356
Retained earnings/(losses)		**22 662**	16 060	**(493)**	(2 234)
Non-distributable reserve	11	**861**	172	**20 326**	15 640
Equity attributable to equity holders of the company		**63 971**	56 680	**60 817**	54 390
Minority interest		**4 734**	4 207	**–**	–
Non-current liabilities		**1 081**	1 278	**–**	–
Operating lease accrual	12	**675**	888	**–**	–
Interest-bearing borrowings	13	**406**	390	**–**	–
Current liabilities		**55 657**	25 490	**21 798**	4 878
Trade payables		**24 216**	18 239	**1 082**	1 853
Other payables		**10 927**	3 526	**3 459**	3 025
Dividend payable		**17 257**	–	**17 257**	–
Operating lease accrual	12	**311**	208	**–**	–
Interest-bearing borrowings	13	**93**	69	**–**	–
Taxation		**2 853**	3 448	**–**	–
Total equity and liabilities		**125 443**	87 655	**82 615**	59 268

INCOME STATEMENTS

for the year ended 31 October 2007

		Group		Company	
	Notes	**2007 R'000**	2006 R'000	**2007 R'000**	2006 R'000
Revenue	15	**136 056**	115 019	**5 264**	4 584
Cost of sales		**(25 630)**	(21 594)	**–**	–
Gross profit		**110 426**	93 425	**5 264**	4 584
Other operating income		**250**	305	**–**	–
Operating expenses		**(71 064)**	(65 240)	**(5 909)**	(4 585)
Operating profit/(loss)	16	**39 612**	28 490	**(645)**	(1)
Investment income	17	**–**	–	**15 643**	16 412
Finance income	17	**3 719**	2 598	**1 438**	114
Finance costs	17	**(455)**	(402)	**–**	(482)
Provision for losses in subsidiaries		**–**	–	**2 562**	(2 734)
Losses attributable to associates		**(325)**	–	**–**	–
Net profit before taxation		**42 551**	30 686	**18 998**	13 309
Taxation	18	**(13 664)**	(9 461)	**–**	(316)
Profit for the year		**28 887**	21 225	**18 998**	12 993
Attributable to:					
Minority interest		**5 028**	3 381	**–**	–
Equity holders of the company		**23 859**	17 844	**18 998**	12 993
Earnings per share (cents)	19	**279,4**	209,0		
Headline earnings per share (cents)	19	**278,8**	208,2		
Diluted earnings per share (cents)	19	**276,6**	209,0		
Diluted headline earnings per share (cents)	19	**276,0**	208,2		

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 October 2007

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
Issued capital	**8 539**	8 539	**8 628**	8 628
Balance at beginning of year	**8 628**	8 628	**8 628**	8 628
Consolidation of share trust	**(89)**	(89)	**–**	–
Share premium	**31 909**	31 909	**32 356**	32 356
Balance at beginning of year	**32 356**	32 356	**32 356**	32 356
Consolidation of share trust	**(447)**	(447)	**–**	–
Retained earnings/(losses)	**22 662**	16 060	**(493)**	(2 234)
Balance at beginning of year	**16 060**	(1 784)	**(2 234)**	(15 227)
Profit for the year	**23 859**	17 844	**18 998**	12 993
Dividend declared	**(17 257)**	–	**(17 257)**	–
Non-distributable reserve	**861**	172	**20 326**	15 640
Balance at beginning of year	**172**	–	**15 640**	15 624
Share-based payment expense	**689**	172	**66**	16
Fair value adjustment on available for sale financial assets – loan to subsidiaries	**–**	–	**4 620**	–
Minority interest	**4 734**	4 207	**–**	–
Balance at beginning of year	**4 207**	4 679	**–**	–
Share of dividend	**(4 303)**	(3 610)	**–**	–
Change in shareholding	**(198)**	(243)	**–**	–
Share of earnings	**5 028**	3 381	**–**	–
Total equity	**68 705**	60 887	**60 817**	54 390

CASH FLOW STATEMENTS

for the year ended 31 October 2007

	Notes	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Cash flows from operating activities		**29 440**	25 420	**15 672**	15 162
Profit before taxation		**42 551**	30 686	**18 998**	13 309
Adjustments		**(732)**	(1 041)	**(3 934)**	3 118
– net interest (received)/paid		**(3 264)**	(2 196)	**(1 438)**	368
– depreciation		**1 955**	1 924	**–**	–
– profit on disposal of property, plant and equipment		**(51)**	(63)	**–**	–
– reduction in lease accrual		**(110)**	(636)	**–**	–
– finance lease payments		**(75)**	–	**–**	–
– profit on disposal of investments		**(2)**	–	**(2)**	–
– profit on disposal of businesses		**(199)**	(242)	**–**	–
– share-based payments	21	**689**	172	**66**	16
– provision for losses in subsidiaries		**–**	–	**(2 560)**	2 734
– losses attributable to associate		**325**	–	**–**	–
Operating profit before working capital changes		**41 819**	29 645	**15 064**	16 427
		(2 006)	(694)	**(830)**	(897)
– (increase)/decrease in trade and other receivables		**(15 384)**	(7 501)	**(493)**	106
– increase/(decrease) in trade and other payables		**13 378**	6 807	**(337)**	(1 003)
Cash generated by operations		**39 813**	28 951	**14 234**	15 530
Net interest received/(paid)		**3 264**	2 196	**1 438**	(368)
Taxation paid	20	**(13 637)**	(5 727)	**–**	–
Cash flows from investing activities		**(4 821)**	(275)	**(2 334)**	968
(Increase)/decrease in investments and loans		**(1 494)**	2 391	**(2 334)**	968
Purchase of property, plant and equipment		**(3 396)**	(2 794)	**–**	–
Proceeds on disposal of property, plant and equipment		**69**	128	**–**	–
Cash flows from financing activities		**(4 302)**	(3 969)	**–**	(7 125)
Decrease in current borrowings		**–**	–	**–**	(7 125)
Dividends paid to minority		**(4 302)**	(3 610)	**–**	–
Decrease in non-current borrowings		**–**	(359)	**–**	–
Net increase in cash and cash equivalents		**20 317**	21 176	**13 338**	9 005
Cash and cash equivalents at beginning of year		**23 849**	2 673	**9 545**	540
Cash and cash equivalents at end of year		**44 166**	23 849	**22 883**	9 545

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2007

1. Accounting policies

1.1 Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements are prepared under the historical cost convention except for certain financial instruments that are stated at fair value.

The policies set out below have been consistently applied to all the years presented.

1.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company ("its subsidiaries"). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

Investments in associates are accounted for by way of the equity method. The results of the associate are included from the effective date of its acquisition, being the date significant influence is obtained.

1.3 Significant judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Judgements made by management in applying the accounting policies are:

Asset lives and residual values

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 re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as market conditions, the remaining life of the asset and projected disposal values.

Deferred tax assets

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

Impairment of assets

Goodwill is considered for impairment at least annually. Property, plant and equipment is considered for impairment if there is reason to believe that an impairment may be necessary. The future cash flows expected to be generated by the assets are projected taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current carrying value and, if lower, the assets are impaired to the present value.

Options granted

Management used the Black-Scholes Norton Option Valuation Model to determine the fair value of the options at issue date. Additional details regarding the estimates are included in note 21 – Share-based payments.

1.4 Goodwill

Goodwill is initially measured at cost, being the excess of the business combination over the group's interest of the net fair value of the identifiable assets, liabilities and contingent liabilities.

Subsequently goodwill is carried at cost less any accumulated impairment.

The excess of the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is immediately recognised in profit or loss.

1.5 Property, plant and equipment

Property, plant and equipment is initially recorded at cost. Impairment losses and reversal of impairment losses are recognised in the income statement. Costs include costs incurred initially to acquire an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it.

Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful lives. The depreciation rates applicable to each category of property, plant and equipment are as follows:

• electronic equipment	20 – 33%
• motor vehicles	20%
• office equipment	10 – 16,7%
• leasehold improvements	period of the lease
• land	0%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. Impairment losses are recognised in profit or loss immediately.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

1.6 Investments in subsidiaries and associates

In the company's separate financial statements, investments in subsidiaries are carried at cost. The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company, plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.7 Impairment of assets

The group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units.

The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

– first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and

– then, to the other assets of the unit, *pro rata* on the basis of the carrying amount of each asset in the unit.

The group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.8 Leased assets

Leases of property, plant and equipment where the company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance charge is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts is depreciated over the useful life of the assets.

Leases of property, plant and equipment where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

1.9 Taxation

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred taxation is provided using a balance sheet liability method on all temporary differences between the carrying amount for financial reporting purposes and the amounts used for taxation purposes, except for differences relating to goodwill which are not deductible for taxation purposes and the initial recognition of assets or liabilities which affect neither accounting nor taxable profit or loss.

A deferred tax asset is recognised to the extent that it is possible that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised.

Secondary Taxation on Companies is provided in respect of dividend payments net of dividends received or receivable and is recognised as a taxation charge for the year.

1.10 Financial instruments

Initial recognition and measurement

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value plus transaction cost. However, transaction costs in respect of financial assets classified as at fair value through profit or loss are expensed. Financial liabilities are initially measured at fair value plus transaction cost. However, transaction costs in respect of financial liabilities classified as at fair value through profit or loss are expensed.

Financial assets

A financial asset is an asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Trade and other receivables are measured at amortised cost, using the effective interest method, less provision for doubtful debts. Write-downs of these assets are expensed in profit and loss.

Other investments are classified as available-for-sale financial assets. These investments are carried at fair value with any gains or losses being recognised directly in equity, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Fair value, for this purpose, is market value if listed or a value arrived at by using appropriate valuation models if unlisted.

Cash and cash equivalents comprise cash on hand and demand deposits and equivalents are measured at fair value, with changes in fair value being included in profit or loss.

Financial liabilities

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

Non-derivative financial liabilities that are not designated on initial recognition as financial liabilities at fair value through profit or loss (including interest-bearing borrowings and bank overdrafts) are measured at amortised cost using the effective interest method.

Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the terms of the borrowings in accordance with the accounting policy for borrowing costs.

1.11 Employee benefits

Short-term employee benefit costs

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid annual leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

1.12 Share-based payments

Services received in a share-based payment transaction are recognised as the services are received.

A corresponding increase in equity is recognised if the services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the services received in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions, the services received, and the corresponding increase in equity, directly, are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably.

If the fair value of the services received cannot be estimated reliably, their value and the corresponding increase in equity, indirectly, are measured by reference to the fair value of the equity instruments granted.

For cash-settled share-based payment transactions, the services received and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

1.13 Translation of foreign currencies

Foreign currency transactions are recorded, on initial recognition in Rand, by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the transaction.

At each balance sheet date:

- foreign currency monetary items are reported using the closing rate,
- non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of transaction, and
- non-monetary items, which are carried at fair value, denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences arising on the settlement of monetary items on reporting an enterprise's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or expenses in the period in which they arise.

1.14 Revenue recognition

Revenue comprises the invoiced value for the sale of services, net of value added tax and discounts and after eliminating sales within the group. Revenue from the sale of airtime is recognised upon broadcasting of the advertising material.

1.15 Borrowing cost

Borrowing costs are recognised as an expense in the period in which they are incurred.

2. Statements and interpretations not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

– IFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of quantitative information about exposure to risks arising from financial instruments, including specific minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The group will apply IFRS 7 and the amendment to IAS 1 for annual periods beginning 1 November 2007.

– IAS 1, Presentation of Financial Statements (added disclosure about an entity's capital), (effective for years commencing on or after 1 January 2009). The revised IAS 1 requires an entity to disclose qualitative information about its objectives, policies and processes for managing capital and a summary of quantitative data about what it manages as capital. It also requires disclosure of whether during the period it complied with any externally imposed capital requirements to which it is subject and when the entity has not complied with such externally imposed capital requirements, the consequences of such non-compliance. This standard has no impact on the figures presented in the income statement and balance sheet.

The following new Standards, amendments and interpretations will, at present, have no effect on the company.

- IAS IR, Amendment – Capital Disclosures (effective from 1 January 2009)
- IAS 23R, Borrowing Costs (effective 1 January 2009)
- IFRS 8, Segment Reporting (effective 1 January 2009)
- IFRIC 11, Group and Treasury Share Transactions (effective 1 March 2007)
- IFRIC 12, Service Concession Arrangements (effective 1 January 2008)
- IFRIC 13, Customer Loyalty Programmes (effective 1 July 2008)
- IFRIC 14, The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective 1 January 2008)

	Electronic equipment R'000	Office equipment R'000	Motor vehicles R'000	Leasehold improve-ments R'000	Freehold land R'000	Total R'000
3. Property, plant and equipment						
Group						
Year ended 31 October 2007						
Opening net book amount	**2 866**	**1 074**	**598**	**107**	**–**	**4 645**
Additions	**1 284**	**245**	**336**	**–**	**1 647**	**3 512**
Depreciation	**(1 579)**	**(209)**	**(146)**	**(21)**	**–**	**(1 955)**
Disposals/transfers	**(10)**	**(8)**	**–**	**–**	**–**	**(18)**
Closing net book amount	**2 561**	**1 102**	**788**	**86**	**1 647**	**6 184**
At 31 October 2007						
Cost	**8 559**	**2 379**	**1 195**	**189**	**1 647**	**13 969**
Accumulated depreciation	**(5 998)**	**(1 277)**	**(407)**	**(103)**	**–**	**(7 785)**
Net book amount	**2 561**	**1 102**	**788**	**86**	**1 647**	**6 184**
Year ended 31 October 2006						
Opening net book amount	2 359	549	382	89	–	3 379
Additions	2 131	641	443	40	–	3 255
Depreciation	(1 590)	(104)	(208)	(22)	–	(1 924)
Disposals/transfers	(34)	(12)	(19)	–	–	(65)
Closing net book amount	2 866	1 074	598	107	–	4 645
At 31 October 2006						
Cost	8 911	2 150	1 177	189	–	12 427
Accumulated depreciation	(6 045)	(1 076)	(579)	(82)	–	(7 782)
Net book amount	2 866	1 074	598	107	–	4 645

Office equipment with a carrying value of R499 000 (2006: R459 000) is held in terms of Finance leases – see note 13.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
4. Goodwilll				
Cost less accumulated impairment	**30 426**	30 428	**–**	–
Movement for the year				
Carrying value at beginning of year	**30 428**	30 428	**–**	–
Disposals	**(2)**	–	**–**	–
Carrying value at end of year	**30 426**	30 428	**–**	–

In accordance with the group's accounting policy, an impairment test was performed on goodwill at year end. Budgeted operating cash flows for the related business units were projected based on revenue growth of 2% per annum and discounted at the group's weighted average pre-tax cost of capital. The impairment calculations performed indicated that the goodwill was not impaired.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
5. Investment in subsidiaries				
Shares at cost less provision for write-down				
AME Broadcasting (Pty) Limited (Holding Company)				
– 100 shares representing a 100% holding*			–	–
– Loan			724	724
United Stations (Pty) Limited (Radio Advertising Sales House)				
– 1 000 shares representing a 100% holding*			–	–
– Loan			7 536	1 773
Seyalemoya Communications (Pty) Limited (t/a OFM)				
– 77 525 shares representing a 70,1% holding			28 968	28 968
Umoya Communications (Pty) Limited (t/a Algoa FM)				
– 950 shares representing a 95% holding			18 683	18 683
Radio Heads Investment Holdings (Pty) Limited (Holding Company)				
– 1 (2006: 1 000) shares representing a 0,1% (2006: 100%) holding*			–	1
Radio Heads (Pty) Limited (Radio Advertising Sales House)				
– 490 (2006: 490) shares representing a 49% holding*			–	–
– Loan			1 063	1 358
			56 974	51 507
Provision for losses in subsidiaries			(174)	(2 734)
			56 800	48 733

** less than R1 000*

The loans to subsidiaries are unsecured and interest free. The subsidiary companies have an unconditional right to defer settlement of the loan for twelve months.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
6. Investment in associated companies				
M-Power Radio (Pty) Limited (t/a Mpower FM)				
– 498 (2006: nil) shares representing a 24,9% holding	1 495	–	1 495	–
Share of post acquisition loss	(325)	–	–	–
	1 170	–	1 495	–
M-Power Radio has a June financial year end.				
Summary of the financial information:				
Total assets	5 366	–		
Total liabilities	663	–		
Loss for the year	1 299	–		

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
7. Other financial instruments				
Available for sale financial assets				
Loan to Share Incentive Trust	–	–	6 865	6 865
Provision for diminution in value	–	–	(6 329)	(6 329)
Chestnut Hill Investments 265 (Pty) Limited				
– 1 247 (2006: nil) cumulative redeemable preference shares	1	–	1	–
Before The Wind Investments 160 (Pty) Limited				
– 1 300 (2006: nil) cumulative redeemable preference shares	1	–	1	–
	2	–	538	536

The loan is interest free and there are no fixed terms of repayment. At the date of this report, none of the 89 275 shares contained in the Share Incentive Trust have been allotted and no options in respect of these shares have been granted.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
8. Deferred taxation				
Balance at beginning of year	4 148	4 330	–	316
Movements during the year attributable to:				
– Temporary differences	399	439	–	–
– Computed tax losses	(1 021)	(621)	–	(316)
Balance at end of year	3 526	4 148	–	–
The balance comprises:				
Provisions	209	828	–	–
Income received in advance	148	100	–	–
Prepaid expenditure	(23)	(25)	–	–
Accelerated tax allowances	(11)	7	–	–
Lease accrual	286	318	–	–
Unearned finance charges	–	40	–	–
Provisions	1 008	–	–	–
Fair value adjustment on receivables	50	–	–	–
Computed tax losses	1 859	2 880	–	–
	3 526	4 148	–	–

The group expects that with the profits expected to be generated in future years, the computed tax losses will be utilised. Deferred tax assets have not been recognised for unused tax losses of R12 282 000 (2006: R17 101 000).

9. Trade and other receivables

Certain of the group's trade receivables have been ceded as security for banking facilities granted.

		Group		Company	
		2007	2006	**2007**	2006
		R'000	R'000	**R'000**	R'000
10.	**Share capital**				
	Authorised				
	15 000 000 ordinary shares of R1 each	**15 000**	15 000	**15 000**	15 000
	Issued				
	8 628 308 ordinary shares of R1 each	**8 628**	8 628	**8 628**	8 628
	Held by the AME Share Incentive Trust	**(89)**	(89)	**–**	–
		8 539	8 539	**8 628**	8 628
	Unissued shares				
	The 6 371 692 (2006: 6 371 692) unissued shares are under the control of the directors in terms of a resolution of members passed at the annual general meeting of shareholders on 7 April 2007. The authority is valid until the next annual general meeting.				
11.	**Non-distributable reserve**				
	Restatement of investment in subsidiaries	**–**	–	**15 624**	15 624
	Share-based payments reserve	**861**	172	**82**	16
	Fair value adjustment on available for sale financial assets reserve	**–**	–	**4 620**	–
		861	172	**20 326**	15 640
12.	**Operating lease accrual**				
	Liabilities for future rental payments	**986**	1 096	**–**	–
	Less: current portion included in current liabilities	**311**	208	**–**	–
		675	888	**–**	–
13.	**Interest-bearing borrowings**				
	Finance leases	**499**	459	**–**	–
	Less: current portion included in current liabilities	**93**	69	**–**	–
		406	390	**–**	–
	The capitalised finance lease liability is secured by office equipment (note 3). Interest is charged at 11,5% per annum. The lease agreements provide for 61 monthly payments of R8 000 per month. The agreements do not provide for contingent rent payments.				
	Reconciliation between the total minimum lease payments and their present value:				
	Minimum lease payments due				
	– within one year	**155**	120	**–**	–
	– in second to fifth year inclusive	**496**	480	**–**	–
	– later than five years	**–**	8	**–**	–
		651	608	**–**	–
	Less: future finance charges	**152**	149	**–**	–
	Present value of minimum lease payments	**499**	459	**–**	–

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
14. Bank overdraft/facilities				
The banking facilities of the group are secured by unlimited cross deeds of suretyship incorporating cessions of loan funds from certain subsidiary companies and cessions of trade debtors.				
15. Revenue				
Commercial advertising	136 056	115 019	–	–
Management fees received from subsidiaries	–	–	5 624	4 584
16. Operating income and expenses				
are stated after taking the following into account:				
Income				
Profit on disposal of property, plant and equipment	51	63	–	–
Profit on disposal of business	199	242	–	–
Expenses				
Administration and management fees paid				
– other companies	300	300	–	–
Auditors' remuneration				
– audit fees	1 117	610	803	335
– other services	59	107	25	36
Consulting fees	738	1 004	721	806
Depreciation	1 955	1 924	–	–
Directors' remuneration				
– for services as directors	171	178	171	178
Legal fees	1 387	2 062	1 357	1 874
Operating lease charges				
– premises	1 693	1 613	–	–
– office equipment	755	685	–	–
Secretarial fees	3	20	3	9
Staff costs	35 278	28 480	1 239	1 039
Defined contribution plans	1 836	2 046	191	-
Average number of employees	134	100	4	4
17. Investment income and finance income/costs				
Investment income				
– dividends received from subsidiary companies	–	–	15 643	16 412
Finance income				
– interest received from bank	2 532	2 598	1 438	114
– other	1 187	–	–	–
	3 719	2 598	1 438	114
Finance costs				
interest paid to				
– bank	22	–	–	–
– other	433	402	–	482
	455	402	–	482

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
18. Taxation				
SA normal taxation				
– current	**11 632**	9 103	**–**	–
– overprovision prior years	**–**	(82)	**–**	–
– deferred	**622**	(11)	**–**	316
Secondary tax on companies	**1 410**	451	**–**	–
	13 664	9 461	**–**	316
Tax rate reconciliation:	**%**	%	**%**	%
Statutory tax rate	**29,0**	29,0	**29,0**	29,0
Computed tax losses created/(utilised)	**2,4**	(0,8)	**(24,8)**	25,0
Non-deductible expenditure	**1,5**	3,2	**18,0**	(26,0)
Exempt income	**0,2**	–	**(22,6)**	(25,6)
Overprovision prior years	**–**	(0,2)	**–**	–
Secondary tax on companies	**(1,0)**	(0,4)	**–**	–
Effective tax rate	**32,1**	30,8	**–**	2,4

The company has an estimated tax loss of R12 282 000 (2006: R17 101 000) and the group has an estimated tax loss of R18 691 000 (2006: R27 032 000) available for set off against future taxable income. These amounts have not yet been assessed and their recoverability is dependent on the company and the group earning future taxable income. The company has unutilised STC credits of R542 000 (2006: R1 396 000) available to set off against future dividends declared.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
19. Earnings and headline earnings per share				
The earnings and headline earnings per share calculation is based on the following:				
Profit attributable to the equity holders of the company	**23 859**	17 844	**–**	–
Profit on sale of property, plant and equipment	**(51)**	(63)	**–**	–
Profit on disposal of investments	**(2)**	–	**–**	–
Headline earnings	**23 806**	17 781	**–**	–
Weighted average number of shares in issue (000's)	**8 539**	8 539	**–**	–
Diluted average number of shares in issue (000's)	**8 626**	8 539	**–**	–
20. Taxation paid				
Amount (unpaid)/ in advance at beginning of year	**(3 448)**	104	**–**	–
Amount charged to income statement	**(13 042)**	(9 279)	**–**	–
Amount unpaid at end of year	**2 853**	3 448	**–**	–
	(13 637)	(5 727)	**–**	–

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
21. Share-based payments				
Expense arising from share-based payment transactions	**689**	172	**66**	16

Date of grant:	1 August 2006
Number granted:	525 000 options
Contractual life:	5 years
Vesting conditions:	33,3% after 3 years
	33,3% after 4 years
	33,3% after 5 years

Executive directors and management of certain subsidiary companies received share options as part of the group's share bonus scheme. There were 525 000 (2006: 525 000) options outstanding at the beginning of the financial year. The fair value of the options granted during the prior year was R6,56. This was determined using the Black-Scholes Norton Option Value Model. The model inputs were the share price at grant date of R18,00, exercise price of R17,50, expected volatility of 26%, a dividend yield of 0%, a contractual life of five years and a risk free interest rate of 8,54%. The volatility was based on statistical analysis of the daily share prices over the last five years, prior to issue date. The group expects the future volatility of its share price to be in line with the historical volatility.

22. Borrowing powers

In terms of the company's articles of association, the borrowing powers of the company are unlimited. At 31 October 2007 the company's borrowings totalled RNil (2006: Nil), and its subsidiaries' borrowings totalled R499 000 (2006: R459 000).

23. Retirement benefits

Certain subsidiary companies presently contribute to defined contribution retirement benefit plans, being either provident funds or pension funds governed by the Pension Funds Act, 1956, which due to the nature of the funds do not require actuarial valuations.

It is compulsory for the employees of the subsidiary companies to be a member of a fund. The subsidiaries and members of the funds contribute to the funds in equal proportions.

The group has no obligations to fund post-retirement medical benefits.

24. Related parties

Identity of related parties

The material subsidiaries of the group are identified in note 5 and the associate in note 6. Significant shareholders are detailed on page 32. The directors are listed in the directors' report. Details of key management are listed on page 3.

Related party transactions

Details of the directors' remuneration are listed in the directors' report. Trading transactions occur between subsidiaries and divisions within the group companies and are reversed on consolidation of the accounts. Details of such transactions, including management fees, dividends and finance income are contained in notes 15 and 17.

Administration fees amounting to R600 000 (2006: R600 000) were paid to CTP Limited, a subsidiary of Caxton & CTP Publishers & Printers Limited. The balance owing at year end amounted to R50 000 (2006: R50 000).

Key management personnel remuneration for the year amounted to R3 745 000 (2006: R2 969 000), together with share-based payments of R394 000 (2006: R98 000l).

Fees for legal services provided by Zenwill Lacob Attorneys amounted to R429 000 (2006: R1 137 000). The balance owing at year end amounted to Rnil (2006: Rnil).

Details of guarantees between the holding company and its subsidiaries are contained in notes 14 and 27 of these financial statements.

None of the directors or major shareholders of the group, nor their families, had any direct or indirect interests in any transaction concluded with the group in the current or prior financial years, other than is disclosed in this note.

25. Financial instruments

Credit risk

Financial assets which potentially subject the group to concentrations of credit risk consist principally of cash, short-term deposits and trade receivables. The group's cash equivalents and short-term deposits are placed with high credit quality financial institutions. Trade receivables are presented net of the allowance for doubtful receivables. Credit risk with respect to trade receivables is limited due to the large number of customers comprising the group's customer base and their dispersion across different industries and geographical areas. Accordingly, the group has no significant concentration of credit risk.

The carrying amounts of financial assets included in the consolidated balance sheet represent the group's exposure to credit risk in relation to these assets.

Fair values

At 31 October 2007 and 2006 the carrying amounts of cash and short-term deposits, receivables, payables and accrued expenses and short-term borrowings approximated their fair values due to the short-term maturities of these assets and liabilities.

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
25. Financial instruments (continued)				
Interest rate risk				
The group's and company's exposure to interest rate risk and the effective interest rates on financial instruments at balance sheet date were:				
Floating interest rate instruments	**43 760**	23 459	**22 883**	9 545
Cash and cash equivalents	**44 166**	23 849	**22 883**	9 545
Interest-bearing borrowings	**(406)**	(390)	**–**	–
Non-interest bearing instruments	**(13 105)**	1 703	**(16 371)**	(3 343)
Trade and other receivables	**39 969**	24 651	**498**	5
Loans receivable	**–**	–	**4 930**	1 530
Non-interest bearing liabilities	**(675)**	(888)	**–**	–
Trade and other payables	**(52 399)**	(22 060)	**(21 799)**	(4 878)
Net financial assets	**30 655**	25 162	**6 512**	6 202
Weighted average effective interest rate (%)	**8,6**	6,8	**8,7**	6,8

26. Commitments				
Future operating lease charges for premises and office equipment:				
Payable within one year	**2 046**	2 174	**–**	–
Premises	**1 887**	2 047	**–**	–
Office equipment	**159**	127	**–**	–
Payable within two to five years	**3 485**	4 356	**–**	–
Premises	**2 969**	3 835	**–**	–
Office equipment	**516**	521	**–**	–
Payable after five years	**836**	1 182	**–**	–
Premises	**836**	1 182	**–**	–
Office equipment	**–**	–	**–**	–
	6 367	7 712	**–**	–

Operating lease payments represent rentals payable by the group for certain of its premises and office equipment. Leases are negotiated for an average of two to five years. No contingent rent is payable.

Future funding commitment to M-Power Radio (Pty) Limited	**1 494**	–	**1 494**	–

27. Contingent liabilities

The company and certain of its subsidiary companies have signed cross suretyships for the banking facilities granted to the group. The suretyships will remain in force for an indefinite period.

ANALYSIS OF SHAREHOLDING

for the year ended 31 October 2007

	Number of shares held '000	Shares held %	Number of share-holders	Share-holder %
Size of shareholding				
1 – 1 000	153	1,8	545	70,5
1 001 – 10 000	665	7,7	172	22,3
10 001 – 100 000	1 239	14,4	40	5,2
100 001+	6 571	76,2	16	2,1
Total	8 628	100,0	773	100,0
Category				
Private individuals	1 996	23,1	616	79,7
Nominee companies or trusts	3 221	37,3	80	10,3
Investment companies	989	11,5	38	4,9
Limited companies	714	8,3	6	0,8
Other corporate bodies	1 708	19,8	33	4,3
Total	8 628	100,0	773	100,0
Shareholder Spread				
Non-public shareholders				
AME Share Incentive Trust	79	0,9	1	0,1
Shareholders holding more than 5% of the issued ordinary shares				
– Moolman and Coburn Partnership	1 355	15,7	1	0,1
– Frances Elizabeth Coburn	1 130	13,1	1	0,1
– Caxton and CTP Publishers & Printers Limited	665	7,7	1	0,1
– The Golden Hind Partnership	757	8,8	1	0,1
– MGM Family Trust	497	5,8	1	0,1
	4 483	52,0	6	0,6
Public shareholders	4 145	48,0	767	99,4
Total	8 628	100,0	773	100,0

Directors' interests

There are no directors holding, directly or indirectly, in excess of 1% of the issued shares of the company on 31 October 2007.

NOTICE OF MEETING

AFRICAN MEDIA ENTERTAINMENT

(Incorporated in the Republic of South Africa)
(Registration number 1926/008797/06)
(JSE Code: AME)
(ISIN: ZAE 000055802)

Notice is hereby given that the tenth annual general meeting of the shareholders of African Media Entertainment Limited ("AME" or "the company") will be held in the boardroom, The Borbereki House, 32 St John Road, Houghton, Johannesburg, at 10:00 am, on Wednesday, 7 May 2008 for the following purposes:

1. To receive and adopt the annual financial statements for the financial year ended 31 October 2007.

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

   2.1 That all the unissued shares in the capital of the company be placed under the control of the directors as a general authority in terms of section 221(2) of the Companies Act, 1973 (Act 61 of 1973), as amended ("the Act"), who are hereby authorised to allot and issue shares in the capital of the company to those persons, upon such terms and conditions, as the directors in their sole discretion deem fit, subject to the provisions of the Act and the Listings Requirements of the JSE.

   2.2 Subject to the Listings Requirements of the JSE Limited ("the JSE") relating to a general authority of directors to issue shares for cash, the directors of the company be and are hereby authorised to issue ordinary shares in the capital of the company for cash in accordance with the requirements set out in the Listings Requirements of the JSE as follows:

   - the relevant securities to be issued under such authority must be of a class already in issue;
   - the securities must be issued to public shareholders as defined by the JSE's Listings Requirements and not to related parties;
   - issues for cash may not exceed 15% of the issued number of securities in any one financial year;
   - the maximum discount at which such securities may be issued may not exceed 10% of the weighted average traded price of those securities during the 30-day period preceding the date on which the price of the issue is determined by the directors;
   - a 75% majority of the votes of all shareholders present or represented by proxy at the annual general meeting must be cast in favour of the resolution to issue the shares; and
   - if this resolution has been approved by the shareholders, the authority of the directors will be effective until the next annual general meeting of shareholders, which will not be longer than 15 months from the date of approval.

   2.3 That the financial year end be changed from 31 October to 31 March with the next reporting period being 17 months ending 31 March 2009.

3. To approve the payments of emoluments to directors as detailed on page 12 of the annual report.

4. To re-elect the following director, who is recommended by the board and whose appointment automatically terminates on the day of the annual general meeting in terms of article 12.2 of the articles of association of the company.

   4.1 Linda Thango

5. To reappoint Charles Orbach & Company as the auditors.

6. **Voting and proxies**

   Each shareholder who, being a natural person, is present in person, by proxy or agent, or, being a company, is present by representative proxy or agent at the general meeting is entitled to one vote on a show of hands. On a poll, each shareholder, whether present in person or by proxy, or by representation, is entitled to one vote for each share held.

NOTICE OF MEETING

A form of proxy is attached for use by certificated or own name shareholders who are unable to attend the general meeting but wish to be represented thereat. They are required to complete and return the form of proxy so as to be received by the transfer secretaries of the company, Computershare Investor Services (Proprietary) Limited (70 Marshall Street, Johannesburg 2001 or PO Box 61051, Marshalltown 2107) not later than 10:00am on Monday, 5 May 2008.

Shareholders who have dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker, other than by own name registration, who wish to attend the general meeting must instruct their CSDP or broker to issue them with the necessary letters of representation 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 by the cut-off time or date advised by their CSDP or broker for transactions of this nature.

Each certificated or own name dematerialised shareholder entitled to attend and vote at the general meeting may appoint one or more proxies (none of whom need be an AME shareholder) to attend, speak and vote in his/her stead. The completion and lodging of a form of proxy will not preclude a shareholder from attending the meeting and speaking and voting thereat to the exclusion of the proxy so appointed.

By order of the board

N SOOKA
Company secretary

5th Floor, Park Terras, 33 Princess of Wales Terrace
Parktown, Johannesburg, 2001
PO Box 3014, Houghton 2041

3 April 2008

TRANSFER SECRETARIES

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

Telephone: +27 11 370 5000
Telefax: +27 11 668 7721

FORM OF PROXY

AFRICAN MEDIA ENTERTAINMENT

(Incorporated in the Republic of South Africa)
(Registration number 1926/008797/06)
(JSE code: AME)
(ISIN: ZAE 000055802)

For use by certificated shareholders and dematerialised shareholders with own name registration at the tenth annual general meeting of the holders of ordinary shares in the company ("AME shareholders") to be held in the boardroom, The Borbereki House, 32 St John Road, Houghton, Johannesburg at 10:00am, on Wednesday, 7 May 2008 ("the annual general meeting").

I/We ______________________________

being the registered holder/s of [   ] ordinary shares in the capital of the company of (address):

____

hereby appoint (see note 1)

1. ______________________________ or failing him/her

2. ______________________________ or failing him/her

3. the chairman of the annual general meeting as my/our proxy to act for me/us at the annual general meeting for the purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat, and at each adjournment thereof, and to vote for or against the resolutions or abstain from voting in respect of the ordinary shares registered in my/our name/s in accordance with the following instructions (see note 2):

Ordinary resolutions	For	Against	Abstain
1. To approve annual financial statements for the year ended 31 October 2007			
2.1 To place unissued ordinary shares under directors' control			
2.2 To empower directors to issue shares for cash			
2.3 To change the financial year end to 31 March			
3. To approve the emoluments to directors			
4.1 To re-elect Ms Linda Thango as director of the company			
5 To reappoint the auditors			

Signed at ______________________________ on ______________________________ 2008

Signature ______________________________

Assisted by (where applicable state capacity and full name) ______________________________

Each AME shareholder is entitled to appoint one or more proxy/ies (who need not be a shareholder/s of the company) to attend, speak and vote in his/her stead at the annual general meeting.

Please read the notes on the reverse side hereof.

NOTES

1. An AME shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the space/s provided, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the AME shareholder concerned. The person whose name appears first on the form of proxy and who is present at the annual general meeting, will be entitled to act as proxy to the exclusion of those names that follow.
2. An AME shareholder's instruction to the proxy must be shown by indicating in the appropriate boxes provided the manner in which that AME shareholder wishes to vote by inserting an "X" in the relevant box unless a shareholder wishes to split his/her votes. In this case the relevant number of shares to be so voted must be indicated in the relevant box. Failure to comply with the above will be deemed to authorise the proxy to vote, or abstain from voting, at the annual general meeting as he/she deems fit in respect of all the AME shareholder's votes exercisable thereat.
3. An AME shareholder or his/her proxy is not obliged to use all the votes exercisable by the member or to cast all these votes exercised in the same way, but the total of the votes cast, and in respect whereof abstention is recorded, may not exceed the total of the votes exercisable by the member. Failure to comply with the above will be deemed to be authority to the chairman of the annual general meeting, if he is the authorised proxy, to vote in favour of the resolutions proposed at the annual general meeting or any other proxy to vote or abstain from voting at the annual general meeting, as he deems fit, in respect of the shares concerned.
4. Forms of proxy and any power of attorney by virtue of which such form of proxy is signed (or a notarially certified copy of such power of attorney) must be lodged at or posted to the transfer secretaries of the company, Computershare Investor Services (Proprietary) Limited (70 Marshall Street, Johannesburg 2001 or P.O. Box 61051, Marshalltown 2107), to be received by not later than 10:00am on Monday, 5 May 2008.
5. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
6. 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 company's secretary or waived by the chairman of the annual general meeting.
7. If you are a dematerialised shareholder, other than own name registration, you must inform your appointed Central Securities Depository Participant ("CSDP") or broker of the manner in which you wish to vote in order for them to notify the secretary by not later than 10:00am on Monday, 5 May 2008. Only registered certificated shareholders recorded in the main register of members of the company or under own names in the dematerialised register, may complete a proxy form or alternatively attend the annual general meeting. Those dematerialised shareholders who are not registered under their own names who wish to attend the annual general meeting or vote by proxy must contact their CSDP or broker who will provide them with the necessary letters of representation to do so, or carry out their instructions.
8. This must be done in terms of the agreement between the shareholder and his/her CSDP as applicable.
9. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and /or received, other than in compliance with the Articles of Association of the company or these notes.

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