



Hosken Consolidated Investments Limited

Incorporated in the Republic of South Africa Registration number 1973/007111/06 Share code: HCI ISIN: ZAE000003257 ("HCI" or "the company" or "the group")

◆ Revenue +18,6%

◆ EBITDA +35,5%

◆ Headline earnings +97,4%

Reviewed consolidated results for the year ended 31 March 2011

REVIEWED CONSOLIDATED INCOME STATEMENT

	% change	Reviewed 31 March 2011 R'000	Audited Restated 31 March 2010 R'000
Revenue		6 381 408	5 445 441
Net gaming win		403 292	276 705
Income	19	6 784 700	5 722 146
Expenses		(5 509 758)	(4 781 475)
EBITDA	35	1 274 942	940 671
Depreciation and amortisation		(316 638)	(276 699)
Operating profit	44	958 304	663 972
Investment income		78 323	64 691
Finance costs		(245 483)	(248 286)
Share of profits of associates and joint ventures		83 212	448 787
Investment surplus		57 195	41 976
Fair value adjustments of investment properties		84 303	17 834
Impairment reversals		5 691	51 681
Asset impairments		(43 483)	(48 692)
Fair value adjustments of financial instruments		(1 179)	3 869
Impairment of goodwill and investments		(37 195)	(197 573)
Profit before taxation	18	939 688	798 259
Taxation		(256 367)	(244 899)
Profit for the year from continuing operations	23	683 321	553 360
Discontinued operations		6 329 213	779 499
Profit for the year		7 012 534	1 332 859
Attributable to:			
Equity holders of the parent	960	6 418 327	605 366
Minority interest		594 207	727 493
		7 012 534	1 332 859

RECONCILIATION OF HEADLINE EARNINGS

	% change	2011 Gross R'000	2011 Net R'000	2010 Gross R'000	Restated 2010 Net R'000
Earnings attributable to equity holders of the parent			6 418 327		605 366
IAS 16 (Gains)/Losses on Disposal of Plant and Equipment		(6 479)	(1 980)	29 486	20 789
IAS 16 Impairment of Plant and Equipment		4 000	3 420	29 599	24 020
IFRS 3 Impairment of Goodwill		37 194	33 475	75 314	75 314
IFRS 3 Negative Goodwill		-	-	(2 544)	(969)
IAS 28 Gain on Disposal of Associates		(401)	(404)	-	-
IAS 28 Impairment of Joint Venture		-	-	1 539	1 429
IAS 36 Impairment of Assets		370 133	209 809	161 589	142 129
IAS 36 Reversal of Impairments		(46 986)	(35 460)	(49 338)	(34 926)
IAS 27 Profit from Disposal/Part Disposal of Subsidiary		(5 782 141)	(5 736 378)	(39 231)	(36 483)
IAS 40 Fair Value Adjustment to Investment Property		(105 878)	(82 955)	(17 834)	(15 009)
IAS 39 Profit on Disposal of Available-for-Sale Asset		(33 398)	(33 223)	(2 747)	(2 747)
Re-measurements included in equity-accounted earnings of associates and joint ventures		(42 685)	(42 685)	(408 026)	(408 026)
Headline profit	97		731 946		370 887
Basic earnings per share (cents)					
Earnings	951		5 088,46		483,96
Continuing operations			365,11		338,48
Discontinued operations			4 723,35		145,48
Headline earnings	96		580,29		296,51
Continuing operations			288,17		133,89
Discontinued operations			292,12		162,62
Weighted average number of shares in issue ('000)			126 135		125 085
Actual number of shares in issue at end of year (net of treasury shares) ('000)			127 089		125 254
Diluted earnings per share (cents)					
Earnings	945		4 921,28		471,06
Continuing operations			353,11		329,46
Discontinued operations			4 568,17		141,60
Headline earnings	94		561,22		288,60
Continuing operations			278,70		130,32
Discontinued operations			282,52		158,28
Weighted average number of shares in issue ('000)			130 420		128 512

REVIEWED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed 31 March 2011 R'000	Audited Restated 31 March 2010 R'000
ASSETS		
Non-current assets	12 885 346	14 968 791
Property, plant and equipment	2 769 835	9 660 977
Investment properties	564 685	218 585
Goodwill	144 205	1 544 195
Interest in associates and joint ventures	8 441 951	2 405 254
Other financial assets	116 230	62 827
Intangibles	577 218	644 402
Deferred taxation	189 203	230 997
Operating lease equalisation asset	2 658	962
Long-term receivables	79 361	200 592
Current assets	2 948 801	3 790 747
Other	2 368 669	2 499 162
Bank balances and deposits	580 132	1 291 585
Non-current assets held for sale	35 218	110 886
Total assets	15 869 365	18 870 424
EQUITY AND LIABILITIES		
Equity	11 231 849	8 388 971
Equity attributable to equity holders of the parent	10 505 914	4 647 948
Minority interest	725 935	3 741 023
Non-current liabilities	2 350 869	5 886 506
Deferred taxation	114 138	644 067
Long-term borrowings	2 056 658	4 715 207
Operating lease equalisation liability	4 447	287 429
Other	175 626	239 803
Current liabilities	2 270 279	4 574 694
Non-current liabilities held for sale	16 368	20 253
Total equity and liabilities	15 869 365	18 870 424
Net asset carrying value per share (cents)	8,267	3,711

REVIEWED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reviewed 31 March 2011 R'000	Audited Restated 31 March 2010 R'000
Balance as restated at beginning of year	8 388 971	7 627 335
Balance as previously stated	8 380 190	7 619 925
Adjustment	8 781	7 410
Share capital and premium		
Treasury shares released	14 595	11 751
Current operations		
Total comprehensive income	6 977 327	1 055 414
Equity-settled share-based payments	15 810	7 408
Disposal of subsidiary	(2 761 828)	-
Effects of changes in holding	(1 217 184)	5 061
Capital reductions and dividends	(185 842)	(317 998)
Balance at end of year	11 231 849	8 388 971

REVIEWED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Reviewed 31 March 2011 R'000	Audited Restated 31 March 2010 R'000
Profit for the year	7 012 534	1 332 859
Other comprehensive income:		
Foreign currency translation differences	(37 653)	(276 836)
Cash flow hedge reserve	23 081	(1 478)
Asset revaluation reserve	(20 635)	869
Total comprehensive income	6 977 327	1 055 414
Attributable to:		
Equity holders of the company	6 385 176	410 447
Minority interests	592 151	644 967
	6 977 327	1 055 414

REVIEWED CONSOLIDATED CASH FLOW STATEMENT

	Reviewed 31 March 2010 R'000	Audited 31 March 2010 R'000
Cash flows from operating activities	1 968 597	1 765 164
Cash flows from investing activities	(2 059 505)	(2 061 381)
Cash flows from financing activities	(558 794)	717 752
(Decrease)/increase in cash and cash equivalents	(649 702)	421 535
Cash and cash equivalents		
At beginning of year	959 539	549 698
Foreign exchange differences	(1 596)	(11 694)
At end of year	308 241	959 539
Bank balances and deposits	586 567	1 291 728
Bank overdrafts	(278 326)	(332 189)
Cash and cash equivalents	308 241	959 539

SEGMENTAL ANALYSIS

	Net gaming Revenue		Net gaming Revenue	
	31 March 2011 R'000	31 March 2011 R'000	31 March 2010 R'000	31 March 2010 R'000
Media and broadcasting	1 620 397	-	1 431 586	-
Limited payout gaming	6 527	327 979	10 984	259 822
Information technology	256 051	-	230 281	-
Transport	963 619	-	897 554	-
Vehicle component manufacture	440 757	-	311 426	-
Exhibition and properties	66 843	-	69 592	-
Mining	363 166	-	141 551	-
Natural gas	214 871	-	172 468	-
Clothing and textile	2 420 604	-	2 165 728	-
Other	28 573	75 313	14 271	16 883
Total	6 381 408	403 292	5 445 441	276 705

	Profit before tax		Headline profit	
	31 March 2011 R'000	31 March 2010 R'000	31 March 2011 R'000	31 March 2010 R'000
Media and broadcasting	555 687	502 429	251 623	227 744
Limited payout gaming	56 288	14 168	39 684	29 239
Casino gaming and hotels	42 183	-	417 363	375 704
Information technology	46 277	35 724	17 833	15 931
Transport	159 062	98 048	120 247	76 225
Vehicle component manufacture	(42 506)	(46 438)	774	(122 182)
Food and beverage	-	348 255	-	35 197
Exhibition and properties	146 421	47 377	20 237	27 347
Mining	17 720	(6 643)	22 216	(6 643)
Natural gas	(44 445)	(53 734)	(8 923)	(27 686)
Clothing and textile	88 692	37 766	(11 881)	(103 236)
Other	(85 691)	(178 693)	(137 227)	(156 753)
Total	939 688	798 259	731 946	370 887

	EBITDA	
	31 March 2011 R'000	31 March 2010 R'000
Media and broadcasting	654 691	574 968
Limited payout gaming	97 678	56 829
Information technology	59 860	49 279
Transport	218 386	168 307
Vehicle component manufacture	17 833	(30 180)
Exhibition and properties	30 105	28 611
Mining	30 263	(3 833)
Natural gas	49 988	38 468
Clothing and textile	157 729	98 390
Other	(41 591)	(40 168)
Total	1 274 942	940 671



COMMENTARY

REVIEW OF INVESTMENTS

Growth in profitability

The current financial year has been a good year for HCI in several ways. Its headline profits are up on last year by 97%. This was achieved by the group's major contributors (Tsogo and Sabido) improving their contribution to group headline profits on last year by 10,8% and several other investments turning in really excellent performances. Of these Golden Arrow's improvement of 57% over last year is really remarkable, particularly as the business might reasonably be regarded as "mature". This is its 150th year of providing passenger transport to the City of Cape Town. Also, Vukani's 35% uptick despite all its difficulties is most encouraging. Among the turnaround operations, Formex broke even after losing R122 million the previous year and Seardel turned in substantial profits from continuing businesses. Losses from discontinued operations in Seardel will not be ongoing and the underlying business going forward is significantly profitable. EBITDA from Montauk improved by approximately 30% for the year, allowing them to significantly reduce their losses. Amongst the start up businesses, unstoppable drive and enthusiasm from the management of Galaxy Bingo has resulted in it turning cash positive from December 2010, and systematic attention to detail by management in our mining subsidiary produced its first annual profit of R22 million.

Investment activity

The group was engaged in a wide variety of new business activity. We purchased a 34,9% stake in KVV and, subsequent to year end, have obtained permission from the Competition authorities to take control of the company. The business has not been performing well and we hope our entry into its shareholding will result in it developing a stronger vision of its participation in the liquor industry going forward. We believe it is in any event a good base for HCI to grow into that industry and are very excited at the prospect of facilitating this.

We also started a new investment holding subsidiary in Australia in consequence of three key former HCI employees emigrating there.

Several other developments took place within the group's subsidiaries and associates during the year. As reported at our interim results, Sabido disposed of its interest in Viamedia, TIH bought back 25% of its shares formerly owned by Nafhold, and Seardel resolved to close Intimate Apparel.

Since that report we are in the process of taking over a London-based global content distributor of films and TV series, Powercorp. During the year Tsogo concluded its reverse takeover of Gold Reef Resorts. This resulted HCI's share in a major subsidiary being diluted to 41,3% and, whilst we remain very active in the company, we in consequence no longer consolidate the results. The merger itself resulted in the merger group becoming not only the central

provider of hotel accommodation in South Africa but also the largest owner of casinos in South Africa. It has a strong balance sheet with relatively low debt levels in consequence of the merger having been achieved by a share swap and we believe it is in the best position to take advantage of consolidation opportunities arising within its industries.

Montauk acquired a company called Viridis which produces some 30 megawatts of electricity from land fill gas and also commenced developing a new electricity site on its own site at the McKinney land fill. This should go into production in June 2011. Seardel commenced the redevelopment of the large industrial property vacated by the vertical pipeline formerly operated by the Frame group. This substantial redevelopment will result in that group renting to third parties approximately 150 000 square metres of additional industrial property. The development is being done in phases and is expected to be completed in the second half of 2012. The disposal of the Gallagher Convention business was achieved by leasing the premises to a third party accepted by the Competition authorities with effect from 1 April 2011.

Legal disputes

The group's subsidiaries and associates have unfortunately been obliged to litigate in several matters we believe are vital to their interests. Other than ordinary commercial disputes which unavoidably arise from time to time, the central such matters have been the following:

Seardel has referred a dispute against certain previous directors amounting to approximately R320 million arising from their dealings in various property matters which Seardel alleges should have been for the benefit of the company rather than the individual directors. This matter is currently being heard through an arbitration process.

There have been several cases against various Gambling Boards that have inhibited the growth of the business of Vukani Gaming Corporation. Fortunately most of this litigation has either been completed or settled on terms which should allow the business to roll out licensed machines over the next period.

Progress in the mining area has been severely delayed arising from the Department of Minerals and Energy purporting to award mining rights to a state owned entity on property on which HCI Coal had been granted a prospecting licence, had prospected and submitted a mining right application.

Lastly, Golden Arrow Bus Company has been forced to apply for relief in order to protect the business, arising from the City of Cape Town purporting to allocate bus operator licences to various others to operate buses. We have settled this litigation on the basis of compromise in exchange for written undertaking by the City to honour our contractual exclusivity going forward.

AUDITOR'S REVIEW

These results have been reviewed by the company's auditors, PKF (Jhb) Inc. Their unqualified review opinion is available for inspection at the registered office of the company.

CHANGES IN DIRECTORATE

During the year under review, Mr VE Mphande who had previously resigned from all executive positions in the group, had been appointed to the board of HCI as a non-executive director with effect from 1 September 2010.

Mr Yunis Shaik has been appointed as lead independent non-executive director with effect from 31 August 2010. He was appointed to the board of HCI as a non-executive director in August 2005.

DISTRIBUTIONS TO SHAREHOLDERS

The directors of HCI have resolved to declare ordinary dividend number 43 of 60 cents per HCI share. The last day to trade cum dividend will be Friday, 17 June 2011. HCI shares will commence trading ex dividend as from Monday, 20 June 2011 and the record date will be Friday, 24 June 2011. The dividend will be paid on Monday, 27 June 2011. Share certificates may not be dematerialised or rematerialised between Monday, 20 June 2011 and Friday, 24 June 2011, both days inclusive.

For and behalf of the board of directors

MJA Golding

Executive Chairman

Cape Town

JA Copelyn

Chief Executive Officer

19 May 2011

Registered office

Block B, Longkloof Studio, Darters Road, Gardens, Cape Town, 8001
PO Box 5251, Cape Town, 8000

Transfer secretaries

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

Sponsor

Investec Bank Limited

Directors

MJA Golding (*Chairman*), JA Copelyn (*Chief Executive Officer*), TG Govender, JG Ngcobo*, VM Engel*, MF Magugu*, Y Shaik*, ML Molefi*, R Garach*, VE Mphande*
* *Non-executive*

Company secretary

HCI Managerial Services (Pty) Limited

NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation and accounting policies

The results for the year ended 31 March 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically IAS 34: Interim Financial Reporting, the AC 500 series of interpretations as issued by the Accounting Practices Board ("APB") the requirements of the South African Companies Act, 1973, and the Listings Requirements of the JSE Limited. The accounting policies of the group are consistent with those applied for the year ended 31 March 2010 except as noted below. As required by the JSE Limited Listings requirements, the group reports headline earnings in accordance with Circular 3/2009: Headline Earnings as issued by the South African Institute of Chartered Accountants. The group has applied the revised IAS 27 in the current period. This standard requires that changes in a parent's ownership interest in a subsidiary after control is obtained, that do not result in a loss of control, are accounted for as equity transactions.

During the current period the group early adopted the amendments to IAS 12 that was released in December 2010. In terms of this amendment there is a rebuttable presumption that the carrying value of investment property will ultimately be recovered through sale and therefore the deferred tax liabilities raised on the revaluations should be done at the CGT rate being 14%. The impact of this early application was that the deferred tax charge in the current year decreased by R16,6 million, the deferred tax charge in the prior year has been restated by R1,4 million and opening equity for 2010 by R7,4 million.

BUSINESS COMBINATIONS

Natural gas

Montauk Energy Holding, LLC acquired a 100% interest in Viridis Energy, LLC and Toyon Landfill Gas Conversion, LLC on 1 February 2011. The acquired businesses contributed revenues of R5,4 million and net losses after tax of R0,9 million to the group for the year ending 31 March 2011. Had the acquisition been effective on 1 April 2010, the contribution to revenue would have been R39,8 million and losses of R8,6 million would have been the contribution to profit after tax.

The details of the net assets acquired on the above business combinations, for which the purchase price has been allocated to the respective assets and liabilities, is as follows:

	2011 R'000
Non-current assets	82 284
Non-current liabilities	(3 710)
Net current liabilities	(13 155)
Net assets acquired	65 419
Purchase price	65 419
Liabilities acquired	2 232
Net cash paid	63 187

Discontinued operations and non-current assets held for sale

Discontinued operations as disclosed in the group income statement relates to the following:

- The convention business of Gallagher Estates which the group has disposed of subsequent to the year end further to an order by the Competition Commission;
- Sabido's cellphone content provider, Viamedia, which was disposed of during the year under review;
- The door module and pulley division of Formex Industries (Pty) Limited;
- Seardel's Intimate Apparel division and four of its manufacturing operations in the Frame division's vertical pipeline – spinning, weaving, finishing and denim; and
- The merger of the group's major gaming and hotel subsidiary, Tsogo Sun Holdings (Pty) Limited with Gold Reef Resorts Limited ("GRR"), culminating in the reverse listing of Tsogo Sun on the JSE Limited, and resulting in the group diluting its interest in the new merged company from 51% to 41,3%. The result of the dilution is a change in the classification of the investment in GRR to investment in associate. The results of Tsogo Sun for the 11-month period ending 1 March 2011, whilst still a subsidiary and prior to the merger, have been reflected under discontinued operations and the results for the month of March 2011 have been reflected under the group's share of profits from associate companies.

The non-current assets held for sale, as disclosed in the group balance sheet, relate to the following:

- The assets of the convention business of Gallagher Estates;
- The remaining assets of the pulley division of Formex, the operations of which had ceased in the year to March 2010; and
- Certain assets of the Seardel group which have been committed to being disposed of, including those of the Intimate Apparel division.

Group income statement

The group results reflect an overall increase of 951,4% in basic earnings attributable to HCI shareholders and an increase of 95,7% in headline earnings. There has been growth in revenue across all segments. In line with this growth in revenue group EBITDA has grown by 35,4% in comparison to the prior period on a (like for like) basis.

Profit from associates and joint ventures for the period is significantly lower than reported in the prior year primarily because of the disposal of Clover Industries Limited (CIL) which had contributed significantly in the prior year. The prior year profit from associates and joint ventures included the disposal of CIL's interest in its Danone subsidiary. The current year profit from associates includes the contribution from the merged Tsogo Sun Holdings for one month.

Included in investment surplus is the profit on the unwinding of the Gallagher Estates property financing agreements and an agterskot payment amounting to R27 million relating from the sale of the group's interest in Suncoast Casino to Tsogo Sun in October 2009.

Fair value adjustments of investment properties relate largely to the upward revaluation of the Gallagher Estates investment properties.

Asset impairments relate primarily to property, plant and equipment impaired by Seardel and Gallagher Estates.

The impairment of goodwill and investments relates primarily to the impairment of goodwill in Formex.

Discontinued operations as per the consolidated income statements include:

	Reviewed 31 March 2011 R'000	Restated 31 March 2010 R'000
Discontinued operations		
Tsogo Sun Holdings – profit on disposal/dilution	5 727 405	–
Tsogo Sun Holdings – results for 11 months in 2011 (12 months in 2010)	631 649	1 016 597
Sabido – Viamedia	50 856	44 960
Seardel – Intimate Apparel and divisions of Frame	(87 781)	(234 706)
Other	7 084	(47 352)
Total	6 329 213	779 499

Group balance sheet and cash flow

The comparative amounts for the year ended 31 March 2010 (restated) are not comparable due to Tsogo Sun not being consolidated on a line by line basis in the current year as a result of the group's loss of control following the Tsogo Sun/Gold Reef merger and the investment now being reflected under interest in associates and joint ventures.

The group's overall financial position remains strong with the major businesses still generating strong cash flows.

Group long-term borrowings have reduced from R4,7 billion in the prior year to R2 billion at year end due to the borrowings of Tsogo Sun being excluded as a result of the accounting treatment of Tsogo Sun in the current year.

The net asset carrying value per share has increased by 122% at year end mainly due to the realisation of the investment in Tsogo Sun via the Gold Reef merger with the investment in Tsogo Sun/Gold Reef being recognised at fair value at the date of the transaction in terms of IAS 28.

