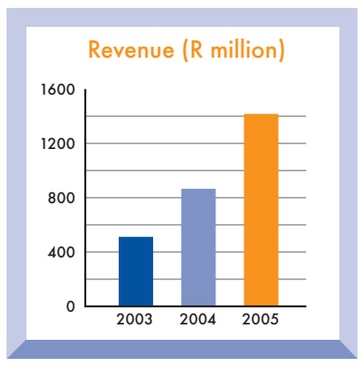
Hosken Consolidated Investments Limited

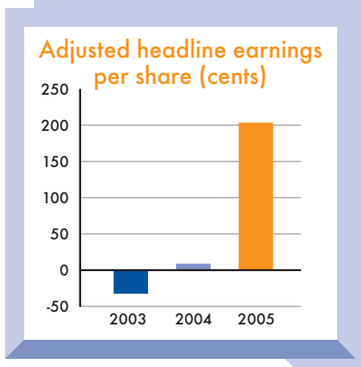
Incorporated in the Republic of South Africa
Registration number 1973/007111/06

Share code: HCI ISIN: ZAE000003257
"HCI" or "the company" or "the group"

Reviewed group annual results for the year ended 31 March 2005

- *63,8% increase in revenue*
- *292% increase in profit for the year*
- *adjusted headline earnings per share increases from 2,96 to 203,52 cents*
- *trading profit increased to R163 million from previous year loss of R5 million*
- *1092% increase in headline earnings per share*





ABRIDGED CONSOLIDATED INCOME STATEMENT

	Year ended 31 March 2005 R'000 Reviewed	Year ended 31 March 2004 R'000 Audited
Revenue	1 413 422	862 598
– Continuing operations	1 413 422	877 969
– Discontinued	–	(15 371)
Trading expenses	(1 249 570)	(867 877)
– Continuing operations	(1 249 570)	(850 862)
– Discontinued	–	(17 015)
Trading profit/(loss)	163 852	(5 279)
Investment income	50 627	50 062
Finance costs	(11 760)	(22 621)
Share of associated companies' profits	82 042	23 047
Negative goodwill released	102 470	31 981
Exceptional items	138 903	16 222
Fair value adjustments	5 505	–
(Impairment)/recoupment of investments and goodwill	(9 606)	75 000
Profit before taxation	522 033	168 412
Taxation	220 666	(4 397)
– Continuing operations	220 666	34 116
– Discontinued	–	(38 513)
Group profit	742 699	164 015
Attributable to minorities	(120 035)	(5 159)
Profit for the year	622 664	158 856
Reconciliation of headline profit		
Profit for the year	622 664	158 856
Adjusted for:		
Exceptional items	(134 456)	(19 041)
Impairment/(recoupment) of investments and goodwill	9 606	(74 188)
Revaluation of investment properties	(2 109)	(1 617)
Negative goodwill released	(102 470)	(31 981)
Amortisation of goodwill	3 268	(2 328)
Impairment of assets	1 740	–
(Profit)/loss on sale of assets	(24 869)	112
Headline profit	373 374	29 813
Deferred taxation in respect of losses	(198 014)	–
Deferred taxation in respect of STC credits	39 774	(26 834)
Adjusted headline profit	215 134	2 979
Earnings per share (cents)		
– Basic	589,06	157,94
– Headline	353,23	29,64
– Adjusted headline	203,52	2,96
Weighted average number of shares in issue ('000)	105 704	100 581
Actual number of shares in issue at end of year (net of treasury shares) ('000)	117 997	103 022
Diluted earnings per share (cents)		
– Basic	526,35	141,38
– Headline	315,62	26,53
– Adjusted headline	181,86	2,65
Weighted average number of shares in issue ('000)	118 299	112 361

ABRIDGED CONSOLIDATED BALANCE SHEET

	31 March 2005 R'000 Reviewed	31 March 2004 R'000 Audited
ASSETS		
Non-current assets	1 677 875	577 203
Property, plant and equipment	473 434	121 971
Goodwill	–	9 979
Negative goodwill	–	(1 492)
Deferred taxation	414 521	167 582
Long term receivables	13 793	–
Investments	776 127	279 163
Current assets	1 134 718	1 743 755
Cash and cash equivalents	546 637	404 261
Trading assets	–	889 124
Other current assets	588 081	450 370
Total assets	2 812 593	2 320 958
EQUITY AND LIABILITIES		
Ordinary shareholders' equity	1 405 415	779 044
Minority interest	277 059	282 864
Non-current liabilities	196 053	38 619
Net financial liabilities	62 018	50 923
Deferred taxation	33 907	16 857
Current liabilities	838 141	1 152 651
Trading liabilities	–	889 248
Other current liabilities	838 141	263 403
Total equity and liabilities	2 812 593	2 320 958
Net asset carrying value per share (cents)	1 191	756

ABRIDGED CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 March 2005 R'000 Reviewed	Year ended 31 March 2004 R'000 Audited
Cashflows from operating activities	470 173	298 423
Cashflows from investing activities	(675 720)	(240 790)
Cashflows from financing activities	135 491	(64 291)
(Decrease)/increase in cash and cash equivalents	(70 056)	(6 658)
Cash and cash equivalents		
At beginning of period	404 082	201 492
On acquisition of subsidiaries	210 378	209 248
At end of period	544 404	404 082

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Non-distributable reserves R'000	Accumulated profits R'000	Total R'000
Balances at 31 March 2003 as previously stated	25 005	474 743	624 586	(602 655)	521 679
Prior year adjustment	–	–	–	88 026	88 026
Balances at 31 March 2003 restated	25 005	474 743	624 586	(514 629)	609 705
Share capital and premium					
Shares issued	750	9 750	–	–	10 500
Current operations					
Profit for the year	–	–	–	158 856	158 856
Currency translation differences	–	–	(224)	–	(224)
Change in holdings in subsidiary companies	–	–	–	207	207
Transfer of fair value adjustments on realisation	–	–	(15 749)	15 749	–
Other transfers	–	–	(524 542)	524 542	–
Balances at 31 March 2004	25 755	484 493	84 071	184 725	779 044
Share capital and premium					
Shares issued	3 749	52 381	–	–	56 130
Treasury shares acquired by subsidiary	(5)	(2 088)	–	–	(2 093)
Share issue costs	–	(101)	–	–	(101)
Current operations					
Profit for the year	–	–	–	622 664	622 664
Currency translation differences	–	–	224		224
Negative goodwill released to equity	–	–	–	49 126	49 126
Transfer of fair value adjustments on realisation	–	–	–	13 750	13 750
Ordinary dividend	–	–	–	(113 329)	(113 329)
Transfers on realisation	–	–	(84 295)	84 295	–
Balances at 31 March 2005	**29 499**	**534 685**	**–**	**841 231**	**1 405 415**

SEGMENT REPORT

The following are the summarised results for the various primary group segments:

	Revenues R'000	Results R'000	Assets R'000	Liabilities R'000	Fixed asset additions R'000	Depreciation R'000
Media and broadcasting	575 764	130 790	727 930	233 379	28 159	14 272
Financial services	103 775	28 424	151 652	129 760	10 322	11 158
Gaming, hotels and leisure	22 284	56 386	557 565	–	7 855	2 265
Information technology	–	1 938	22 486	–	–	–
Transport	434 131	74 084	376 589	186 156	48 513	18 727
Industrial	276 860	24	187 388	133 326	35 155	12 916
Other	608	451 053	788 983	447 498	32	69
	1 413 422	**742 699**	**2 812 593**	**1 130 119**	**130 036**	**59 407**

Taxation is included in other as follows: assets R414,5 million, liabilities R44,8 million and results R220,6 million.
No secondary segment report has been included as the group derives substantially all its revenues and income from within the Republic of South Africa.

COMMENTARY

INVESTMENTS

Media and broadcasting

Midi TV (Pty) Limited ("e-TV")

e-TV has benefited from improved general economic conditions and favourable currency markets, with revenue growing significantly and a reduction in programming costs as compared to the comparative prior period.

e-TV generated R130,7 million in headline profits for the current year, before accounting for the recognition of a deferred tax asset of R298,7 million in respect of its assessed losses. This compares favourably to the R31,3 million headline profit generated in the previous financial year.

Africa-on-Air (Pty) Limited ("Africa-on-Air")

During the year under review shareholders approved the disposal by the group of its financial interest in Africa-on-Air for an amount of R180 million. Shareholders are referred to announcements made and the circular issued by the company for details of this disposal.

Yired (Pty) Limited ("YFM")

Subsequent to year end the group received approval from the Independent Communications Authority of South Africa ("ICASA") for the acquisition of an effective 77,5% interest in YFM.

Gaming, hotels and leisure

Vukani Gaming Corporation (Pty) Limited ("Vukani")

Vukani operates limited payout gambling machines as a route operator under licence from four provincial gaming boards.

As was previously reported, expansion of trading operations continued at a slow pace. It is anticipated that this pace will increase in the coming period.

Vukani will require the injection of significant group cash resources during this initial roll-out phase. The directors of HCI are confident that once the business matures it will make a positive contribution to the group.

Tsogo Investment Holding Company (Pty) Limited ("TIH")

As was previously reported, the group had increased its interest in TIH from 27,77% to 32,07% at a cost of R45 million. The group has also entered into an agreement with the Fabcos Trust to acquire a further 19% effective interest in TIH. Shareholders are referred to announcements made for details of this acquisition, which is subject to approval of certain regulatory bodies.

TIH owns 51% of Tsogo Sun Holdings (Pty) Limited ("Tsogo Sun") thus the group currently has an effective 16,35% interest in Tsogo Sun, which will increase to 26% on approval of the above transaction.

During the year under review TIH's equity accounted results contributed R58 million to group headline earnings.

Johnnic Holdings Limited ("Johnnic")

During the year under review the group acquired 20,7% of the issued share capital of Johnnic for R311 million. This amount, which is included in current liabilities, was settled after year end. Subsequent to year end the group has increased its interest in Johnnic to 29,8% and is currently seeking to obtain board representation.

Financial services

Mettle Limited ("Mettle")

Mettle, whose operations are again profitable after the disposal of the treasury operations, has performed in line with expectations and has contributed R17 million to group headline profit before Secondary Tax on Companies ("STC"), of R53 million expensed on utilisation of STC credits by certain subsidiaries.

During the year under review the group made a successful offer, in terms of Section 440 of the Companies Act, to acquire all of those Mettle shares not already owned by the group. Shareholders are referred to announcements made by the group for detailed results of the offer.

Transport

Golden Arrow Bus Services (Pty) Limited ("GABS")

During the year under review shareholders approved the acquisition by the group of GABS. Shareholders are referred to announcements made and the circular issued by the company for details of this acquisition.

The results of GABS, which were consolidated with those of the group for the last nine months of the year under review, contributed R52,2 million to group headline profit.

Food and beverages

Subsequent to the year end, the group entered into an agreement with Clover Industries Limited ("CIL") in terms of which the group will subscribe for 25,1% of the total issued ordinary share capital in CIL, as well as 25 million CIL preference shares, for an aggregate subscription consideration of R91,8 million, subject to the fulfilment of certain conditions precedent. Shareholders are referred to announcements made by the company for details of this acquisition. This investment broadens the group's strategic investment interests into the food and beverages sector.

OPERATIONS AND RESULTS FOR THE YEAR

Business operations

The business operations of HCI include the making of investments in opportunities as identified by the board of directors and to add value to these investments over time. As such, HCI has consciously established itself and pursued an investment policy in terms of which it has endeavoured to maintain significant equity and capital participation in entrepreneurially run companies with significant growth potential. The investments are constantly reviewed and new ones sought to complement them. Your directors are confident that the group will deliver satisfactory growth in the future.

Accounting policies

The annual financial statements are prepared on the historical cost basis, in accordance with South African Statements of Generally Accepted Accounting Practice, the requirements of the Companies Act 1973, as amended, and the Listing Requirements of the JSE Securities Exchange SA. The accounting policies of the group have been consistently applied with those of the previous financial year, with the exception of the implementation of AC 501: Accounting for secondary taxation on companies (STC).

With effect from 1 April 2005 the group will implement International Financial Reporting Standards (IFRS). Accordingly, the effects of the new standards will, for the first time, be presented in the group's interim report to shareholders for the six months ended 30 September 2005.

Prior year adjustment and restatement of comparative figures

Change in accounting policy

With effect from 1 April 2004 the group adopted AC 501. In terms of the provisions of AC501, a deferred tax asset should be recognised for unused STC credits to the extent that it is probable that future taxable profit will be generated against which the STC credits can be utilised.

As a result of the first time application of AC 501, Mettle, a wholly owned subsidiary of the group, has recognised a deferred tax asset in respect of STC credits held by its subsidiaries, as a prior year adjustment. These subsidiaries have historical contractual obligations to on-declare all such dividends received to third party clients, with the result that these credits are not available to the group for any other purpose. A margin is earned over the term of the contracts and the asset does not reflect the economic benefit arising from these transactions to the group. The income on these transactions (dividends) is accounted for on the yield to maturity basis and not on the declaration basis as is implicit in the application of the statement. The effect is that the asset raised and the income statement impact of the fluctuations in the value of the asset over time severely distort the economic reality of the group's results. Therefore, the group believes it is appropriate to present adjusted headline earnings (as disclosed in these results), which negate the effects of deferred tax assets raised or expended, as additional disclosure, to more accurately reflect the economic reality of the group's results.

The effect of the prior year adjustment is a R167,5 million increase in the prior year equity of Mettle, which is expected to be expensed over the next three years. This has resulted in the group restating the comparative figures to reflect an increase in financial year 2004 headline earnings by R39,1 million and an adjustment to the opening retained earnings of R128,4 million. Deferred tax assets in respect of STC credits raised and expensed in the current year amount to R53 million which have been included in headline earnings. Deferred tax assets in respect of STC credits raised and not expensed at year end date amount to R114,5 million.

Recognition of deferred tax assets in respect of assessed losses

The group's subsidiary e-TV has unutilised assessed losses of R1 030 million at year end date. As required by AC102 – Income taxes, a deferred tax asset should be recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. As e-TV is now profitable, a deferred tax asset of R298,7 million was raised by e-TV which has been fully consolidated.

Results for the year

Basic earnings

Basic earnings per share increased by 273% to 589,06 cents. Basic earnings per share reflects the net earnings after exceptional items, negative goodwill released and impairment of investments and goodwill. The increase was due mainly to the profit on disposal of the group's interest in Africa-on-Air included in exceptional items and the negative goodwill released on the acquisition of GABS.

Headline earnings

Headline earnings increased from R29,8 million to R373,3 million. This represents an increase of R343,5 million during the current year, of which R131,4 million relates to the inclusion of net deferred tax assets raised and R212,1 million relates to group operations. Headline earnings per share increased substantially from 29,64 cents to 353,23 cents.

Adjusted headline earnings

Adjusted headline earnings, which exclude the effects of net deferred tax assets raised in respect of unused tax losses and available STC credits, have been disclosed for the first time so as to more accurately reflect the economic reality of the group's results. Adjusted headline earnings increased significantly from R2,9 million to R215,1 million. Adjusted headline earnings per share also increased significantly from 2,96 cents to 203,52 cents. This substantial increase is mainly due to the improved performance of e-TV and the recognition for the first time of income from GABS and TIH.

DISTRIBUTION TO SHAREHOLDERS

On 21 October 2004 the directors declared a dividend of ninety five cents per share.

Due to the need to retain funds for the acquisitions and operations of the group the directors have decided not to declare any further dividends for the year ended 31 March 2005.

AUDITORS' REVIEW

The abridged consolidated balance sheet, income statement, cash flow statement and statement of changes in equity have been reviewed by the company's auditors, PKF (Johannesburg) Inc., and their review opinion is available for inspection at the company's registered office.

ESTABLISHMENT OF THE HCI FOUNDATION

HCI is proud to inform its shareholders of the formation of the HCI Foundation, incorporating the Golden Arrow Foundation ("the Foundation").

The Foundation has been constituted by way of a Second Deed of Amendment to the Golden Arrow Foundation which was adopted unanimously by the trustees thereof and is in the process of being duly registered.

The Foundation is in the form of a charitable trust and its objects are to:

- promote the social, educational and community development of underprivileged persons and thereby nurture and develop the personal growth, self-reliance, independence, self-respect and self-esteem of such persons;
- provide bursaries, scholarships, awards or other grants of financial assistance as may be necessary or desirable to promote and/or support the social and/or educational development of underprivileged persons;

including underprivileged persons who are or whose family members are current or past employees of the group.

The Foundation will have assets to the value of approximately R250 million and will accordingly be in a sound financial position to pursue its objectives. The group has not itself made any financial contribution to the Foundation but HCI's management team provides its management resources to the Foundation.

The establishment of the Foundation represents a continuation of HCI's social responsibility initiative and is separate and distinct from its majority shareholder, Southern African Clothing and Textile Workers Union's own social responsibility initiatives.

For and on behalf of the board of directors.

MJA Golding
Chairman

JA Copelyn
Chief Executive Officer

Durban
27 June 2005

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JG Ngcobo*, VM Engel*, MF Magugu*, AM Ntuli* *(non-executive)*

Company secretary
TG Govender

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