

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 2006

- \* 56,6% increase in revenue
- \* 303% increase in trading profit
- \* 48% increase in adjusted headline earnings per share

ABRIDGED CONSOLIDATED INCOME STATEMENT

	31 March 2006 R'000 (reviewed)	31 March 2005 R'000 (audited restated)
Revenue	2 111 982	1 348 287
Trading expenses	(1 732 237)	(1 254 094)
Trading profit	379 745	94 193
Transaction costs and raising fees	(72 479)	-
Net funding income	14 243	65 135
Investment income	106 954	50 627
Finance costs	(118 210)	(11 760)
Share of associated companies' profits	152 099	67 249
Negative goodwill on acquisition of subsidiary	8 968	102 470
Investment surplus	3 177	138 903
Fair value adjustments of investment properties	11 506	-
Fair value adjustments of investments	1 593	5 505
Impairment of investments and goodwill	(225)	(9 606)
Profit before taxation	487 371	502 716
Taxation	(200 889)	221 683
Group profit	286 482	724 399
Attributable to:		
Equity holders of the parent	231 195	605 286
Minority interest	55 287	119 113
	286 482	724 399
Reconciliation of headline profit		
Profit attributable to equity holders of the parent	231 195	605 286
Adjusted for equity holders of the parent's share of:		
Investment surplus	(3 151)	(134 456)
Goodwill impaired	-	9606
Fair value adjustments of investment properties	(9 837)	(2 109)
Negative goodwill on acquisition of subsidiary	(8 476)	(102 822)
Impairment of assets	1 673	1740
Profit on sale of assets	(1 079)	(24 869)
Headline profit	210 325	352 376
Deferred tax in respect of losses	(23 891)	(198 014)
Deferred tax in respect of STC credits	67 163	39 774
Non-recurring transaction costs and raising fees	72 479	-
Adjusted headline profit	326 076	194 136
Earnings per share (cents)		
- Basic	192,90	572,62
- Headline	175,49	333,36
- Adjusted headline	272,06	183,66
Weighted average number of shares in issue ('000)	119 853	105 704
Actual number of shares in issue at end of period (net of treasury shares) ('000)	122 882	117 997
Diluted earnings per share (cents)		

- Basic	188,39	511,66
- Headline	171,38	297,87
- Adjusted headline	265,70	164,11
Weighted average number of shares in issue ('000)	122 722	118 299

ABRIDGED CONSOLIDATED BALANCE SHEET

	31 March 2006 R'000 (reviewed)	31 March 2005 R'000 (audited restated)
<b>ASSETS</b>		
Non-current assets	7 099 468	7 593 216
Property, plant and equipment	795 130	460 166
Investment properties	154 235	13 729
Goodwill	82 683	-
Interest in associated companies	904 769	314 014
Investments	120 270	447 130
Intangibles	1 876	-
Deferred taxation	357 664	415 538
Financial assets	4 622 921	5 928 846
Operating lease equalisation asset	3 400	-
Long-term receivables	56 520	13 793
Current assets	3 441 241	6 661 292
Trade and other receivables	1 090 590	588 081
Financial assets	1 568 572	5 526 574
Cash and cash equivalents	782 079	546 637
Total assets	10 540 709	14 254 508
<b>EQUITY AND LIABILITIES</b>		
Equity	2 586 291	1 516 314
Equity attributable to equity holders of the parent	1 751 429	1 389 513
Minority interest	834 862	126 801
Non-current liabilities	5 431 328	6 217 409
Financial liabilities	4 666 651	5 987 449
Deferred taxation	53 737	33 907
Long-term borrowings	688 640	196 053
Operating lease equalisation liability	22 300	-
Current liabilities	2 523 090	6 520 785
Trade and other payables	951 765	990 796
Financial liabilities	1 571 325	5 529 989
Total equity and liabilities	10 540 709	14 254 508
Net asset carrying value per share (cents)	1,425	1,177

ABRIDGED CONSOLIDATED CASH FLOW STATEMENT

	31 March 2006 R'000 (reviewed)	31 March 2005 R'000 (audited restated)
Cash flows from operating activities	315 261	157 002
Cash flows from investing activities	(1 461 743)	(364 503)
Cash flows from financing activities	594 572	137 445
Decrease in cash and cash equivalents	(551 910)	(70 056)
Cash and cash equivalents		
At beginning of period	544 404	404 082
On acquisition/disposal of subsidiaries	776 261	210 378
At end of period	768 755	544 404

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Non- distributable reserves
--	------------------	------------------	-----------------------------------

	R'000	R'000	R'000
Balances at 31 March 2004	25 755	484 493	84 071
Share capital and premium			
Shares issued	3 749	52 381	-
Treasury shares acquired by subsidiary	(5)	(2 088)	-
Share issue costs	-	(101)	-
Current operations			
Profit for the year	-	-	-
Equity settled share-based payments	-	-	-
Currency translation differences	-	-	224
Negative goodwill on acquisition of subsidiary	-	-	-
Transfer of fair value adjustments on realisation	-	-	-
Effects of changes in holding	-	-	-
Ordinary dividend	-	-	-
Transfers on realisation	-	-	(84 295)
Balances at 31 March 2005	29 499	534 685	-
Share capital and premium			
Shares issued	1 813	149 894	-
Shares repurchased	(500)	(53 500)	-
Treasury shares acquired by subsidiary	(91)	(1 749)	-
Share issue costs	-	(379)	-
Current operations			
Profit for the year	-	-	-
Share of pre-acquisition profit of subsidiary	-	-	-
Equity settled share-based payments	-	-	-
Foreign currency translation differences	-	-	(2 202)
Minority interest on acquisition of subsidiaries	-	-	-
Capital reductions and dividends	-	-	-
Balances at 31 March 2006	30 721	628 951	(2 202)

	Accu- mulated profits R'000	Share- based payment reserves R'000	Minority interest R'000	Total R'000
Balances at 31 March 2004	184 725	-	133 528	912 572
Share capital and premium				
Shares issued	-	-	-	56 130
Treasury shares acquired by subsidiary	-	-	-	(2 093)
Share issue costs	-	-	-	(101)
Current operations				
Profit for the year	605 286	-	119 113	724 399
Equity settled share-based payments	-	1 476	-	1 476
Currency translation differences	-	-	-	224
Negative goodwill on acquisition of subsidiary	49 126	-	-	49 126
Transfer of fair value adjustments on realisation	13 750	-	-	13 750
Effects of changes in holding	-	-	(125 840)	(125 840)
Ordinary dividend	(113 329)	-	-	(113 329)
Transfers on realisation	84 295	-	-	-

Balances at 31 March 2005	823 853	1 476	126 801	1 516 314
Share capital and premium				
Shares issued	-	-	-	151 707
Shares repurchased	-	-	-	(54 000)
Treasury shares acquired by subsidiary	-	-	-	(1 840)
Share issue costs	-	-	-	(379)
Current operations				
Profit for the year	231 195	-	55 287	286 482
Share of pre-acquisition profit of subsidiary	34 904	-	-	34 904
Equity settled share-based payments	-	2 531	-	2 531
Foreign currency translation differences	-	-	-	(2 202)
Minority interest on acquisition of subsidiaries	-	-	660 473	660 473
Capital reductions and dividends	-	-	(7 699)	(7 699)
Balances at 31 March 2006	1 089 952	4 007	834 862	2 586 291

#### SEGMENT REPORT

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

	Revenue R'000	Results R'000	Assets R'000
Media and broadcasting	669 786	178 245	544 196
Financial services	129 498	69 368	6 479 582
Gaming, hotels and leisure	90 016	103 763	754 465
Information technology	56 842	13 444	73 827
Transport	664 238	107 018	491 736
Industrial	431 592	36 781	251 379
Food and beverage	-	15 525	137 768
Gallagher Estate and properties	67 000	22 000	266 000
Other	3 010	(259 662)	1 541 756
	2 111 982	286 482	10 540 709

	Liabilities R'000	Fixed asset additions R'000	Depreciation R'000
Media and broadcasting	250 836	68 194	17 988
Financial services	6 381 247	1 618	1 602
Gaming, hotels and leisure	6 380	22 525	5 137
Information technology	35 199	5 626	2 437
Transport	352 599	100 045	27 481
Industrial	155 536	29 043	13 284
Food and beverage	24 446	-	-
Gallagher Estate and properties	51 000	4 200	-
Other	698 175	62	-
	7 955 418	231 313	67 929

Taxation is included in other as follows: Assets R363,7 million, liabilities R70,6 million and results R200,9 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")

The buoyant advertising spend market and strict cost controls continue to assist e-TV, with the station reporting a 36% growth in operating profits for the current year in comparison to the prior year.

The drop in audience share commented on in our 2005 annual report has been reversed and is now strengthening with news and local soaps leading the way.

The station has grown to become a strong cash generating business with a strong market presence since turning profitable a few years ago. Future growth areas lie in the station's expansion into Africa with the acquisition of broadcasting licences in East and West Africa during the current year without major cost. It is anticipated that the African venture will provide new markets for the sale of e-TV's intellectual properties and programming rights without substantial cash resources being committed.

Yired (Pty) Limited ("YFM")

During the year under review, the group acquired an effective 77,5% interest in YFM. YFM is a Gauteng-based radio station focusing mainly on the black urban youth market and has a weekly audience in excess of 1,2 million listeners.

The radio station generated R14 million profits after tax during the current year. The group has consolidated R5,3 million of these profits in these results since the date of acquisition.

Gaming, hotels and leisure

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

Vukani has been awarded licences to operate limited payout gambling machines as a route operator from five provincial gaming boards in South Africa. The company is presently operational in Mpumalanga, Western Cape and Eastern Cape. Operations are expected to commence in KwaZulu-Natal and Limpopo during this financial year, though the roll out of machines in these regions is likely to commence late in the financial year.

The roll out of machines has been slower than we had anticipated but continue at approximately 60 machines per month. Gross gaming revenue per machine continues to grow steadily on a month on month basis as more sites are rolled out.

During the year under review, the business turned profitable on a monthly basis with rapid growth in profitability being projected as further machines are rolled out.

It is expected that as this investment matures over the next two years it will add significant value to the group.

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

During the year under review the groups 32,07% effective interest in TIH was increased to 41,76% as a result of the acquisition of 51% of Johnnic. The group has entered into an agreement with the Fabcos Group to acquire a further 19% effective interest in TIH ("the Fabvest acquisition"). Shareholders are referred to announcements made for details of this acquisition, which remains subject to approvals from certain Provincial Gaming Regulators. Approval has been obtained from the KwaZulu-Natal Gaming Board. Approvals from the other Gaming Boards are expected during the current financial year.

During the year under review the group equity accounted its share of TIH's earnings. Once the above transaction becomes unconditional, the group will have effective control of the entire Tsogo Sun Group, whose results will in future be fully consolidated into the group's results.

Johnnic Holdings Limited ("Johnnic")

In December 2005 the group successfully acquired control of Johnnic by

increasing its interest in Johnnic to 51%. During the year under review, the group increased its interest in Johnnic from an initial 20% to 39%. The group was required by the Securities Regulation Panel to extend an offer to the Johnnic minorities to acquire all of their shares.

The group made an offer to the Johnnic minorities to acquire all their shares in Johnnic for a consideration of R10,70 per share in cash or 1 HCI share for every 2,57 Johnnic shares surrendered, subject to a maximum of 15 million new HCI shares being issued. 11,082 million Johnnic shares were tendered in the offer resulting in the group increasing its interest in Johnnic to 46%. Immediately thereafter, the group acquired control of Johnnic by increasing its stake to 51%. The Board of Johnnic is now controlled by HCI representatives.

The group's acquisition of Johnnic shares required various regulatory approvals which have all been obtained.

As stated in the group interim results for the six months ended 30 September 2005, the investment in Johnnic at that date was accounted for as an available for sale asset as the group did not have control of Johnnic or representation on the Johnnic Board. The group had accordingly fair valued the investment at that date resulting in a fair value gain of R108,9 million, net of tax being included in the group's interim headline earnings.

On the group acquiring control of Johnnic, this fair value gain was reversed and the group's share of Johnnic's profit after tax for the nine months ended 31 December 2005, amounting to R34,9 million, was taken directly to equity in the group's statement of changes in equity in accordance with IFRS 3: Business Combinations.

The group has fully consolidated the results of Johnnic with effect from 1 January 2006. The group's share of Johnnic's profit after tax for the period 1 January 2006 to 31 March 2006 amounted to R4 million which has been included in the group's consolidated income statement. Shareholders are referred to Johnnic's results for its performance and activities.

Transaction costs and raising fees amounting to R72 million incurred by the group in respect of the Johnnic offer and the Fabvest acquisition have been disclosed separately in the income statement for the year under review. These costs, which are non-recurring and relate specifically to these transactions, have been written off in computing headline earnings for the year.

#### Financial Services

##### Mettle Limited ("Mettle")

As reported in our interim report, Mettle is in the process of building substantial new businesses under its wing. These include two new start up businesses: Mettle Motor Loans which provides loan finance to purchasers of motor vehicles and Mettle Factors which provides bridging loans to facilitate, inter alia, fixed property transactions. The debtors books in these businesses are geared and have grown rapidly in the second half of the year under review. Mettle Factors has just recently become profitable. It is expected that these businesses will have excellent growth potential in the coming years and are expected to become meaningful contributors to group profits in future years. Mettle's traditional business performed well during the year contributing R31 million to group headline earnings due mainly to increased deal flow and substantial cost reductions.

#### Transport

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

GABS had continued its exceptional performance during the current year reporting profits after tax of R84 million which represents a 56,7% increase when compared to GABS contribution to the group for the nine month period ending 31 March 2005. Passenger numbers have increased by approximately 5% over the last year. Despite substantial increases in fuel costs during the

year, costs have been contained.

As part of its commitment to providing a modernised fleet, the company had invested in 84 new buses during the current financial year and has committed to acquiring a further 25 during the next financial year.

The continued increases in the fuel price in recent months do remain a concern. However, we are confident that this company will continue to deliver satisfactory returns.

#### Food and beverages

Clover Industries Limited ("Clover")

During the second half of the year, the group subscribed for 25,1% of the total issued ordinary share capital of Clover, as well as 25 million Clover preference shares, for an aggregate subscription consideration of R91,8 million. The group has secured an indefinite option to acquire a further 9,8% of the ordinary share capital in Clover. This investment broadens the group's strategic investment interests into the food and beverages sector.

The group holds a further 10,6 million preference shares in Clover giving it an effective 43% economic interest in the company and has secured three seats on the Clover Board.

Clover's results for the six months ending 31 December 2005, reflect a turnover of R2,38 billion and an attributable profit of R65,3 million. Due to the historically seasonal dairy market the next six months are expected to be less profitable. As part of the transformation of Clover from a co-operative to a commercial venture, the company is in the process of being restructured to contain costs and improve profitability. In addition, trading in a low inflationary environment requires a revised strategy which management is in the process of implementing.

Clover has been classified as an associate company of the group with its results accordingly being equity accounted. It is expected that this investment will generate meaningful returns for the group in the coming years.

#### Information technology

Syntell (Pty) Limited ("Syntell")

During the year under review, the group acquired an effective 50,01% interest in Syntell, a company providing electronic monitoring of traffic and traffic violations to municipalities throughout South Africa.

The group has fully consolidated the profits of this company from 1 September 2005 in these results.

#### Industrial

The group had previously acquired a number of companies in leveraged buyouts primarily financed by ringfenced debt in each company. These companies include Johnson Crane Hire, Tylon, Johnson Access and Formex Industries. The growth in the construction and automotive components industries has enabled many of these businesses to perform well-above expectation with this debt having been significantly reduced. It is anticipated that this debt will be paid off from the earnings of these companies on average over the next two years whereafter the group will receive contributions to its cash flow.

#### Other

The group disposed of its interests in Sukyae Land (Pty) Limited and the IQ Business Group (Pty) Limited during the year under review for R25 million and R19 million respectively. The profits on these disposals are included in the investment surplus.

#### 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.

#### Basis of preparation and accounting policies

The results for the year ended 31 March 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the requirements of the South African Companies Act and the Listings Requirements of the JSE Limited. The group's consolidated financial statements for the year ended 31 March 2006 are the first annual financial statements that comply with IFRS.

The group has applied IFRS 1 in preparing these financial statements. The date of the group's transition to IFRS is 1 April 2004, and the financial statements for the year ended 31 March 2005 have been restated accordingly.

The accounting policies of the group have been consistently applied with those of the previous financial year except for the effects of changes in respect of IFRS.

The following are the significant IFRS 1 exemptions which the group elected to utilise:

- Financial instruments previously designated as available for sale were redesignated as financial assets or financial liabilities at fair value through profit and loss.
- The fair value or revaluation of certain items of plant and equipment at, or before the transition date was deemed to be its cost.
- IFRS 3 - Business Combinations, was not applied retrospectively to business combinations which occurred prior to the group's transition to IFRS. The adoption of IFRS has not resulted in any material adjustments to the opening retained earnings balances at 1 April 2004. Certain of the comparative figures have been restated to take into account the effects of the adoption of the following:
- IFRS 2 - Share-based Payments. Share options previously granted and exercised have been valued using the Black Scholes method. This value is amortised on a straight line basis and recognised as an expense over the vesting periods.
- IAS 32 - Financial Instruments: Disclosure and Presentation. The gross value of financial assets and financial liabilities, which had previously been set off, have now been disclosed separately to comply with this standard. IAS 32 now requires that a legal enforceable right of set-off must currently exist at the reporting date for set-off to occur.
- IAS 17 - Leases. Operating leases with fixed escalation clauses are now accounted for on a straight-line basis over the period of the lease. The reconciliation of group profit as previously reported to group profit as restated in this report is set out below:

	Year ended 31 March 2005
	R'000
Profit attributable to equity holders of the parent as previously reported	622 664
IFRS	
Effects of share-based payments - IFRS 2	(1 476)
Effects of IFRS adjustments by associate	(12 903)
Other restatements	
Depreciation	461
Operating leases previously accounted for on straight-line basis	(1 570)
Other restatements by associate	(1 890)
Profit attributable to equity holders of the parent as restated	605 286

The reconciliation of group equity as previously reported to group equity as restated in this report is set out below:

	Year ended 31 March 2005
	R'000
Group equity as previously reported	1 405 415
IFRS	
Effects of IFRS adjustments by associate	(12 903)
Other restatements	
Depreciation	461
Operating leases previously accounted for on straight-line basis	(1 570)
Other restatements by associate	(1 890)
Group equity as restated	1 389 513
AC 501	

As reported in the group annual results for the year ended 31 March 2005 ("March 2005 results"), the group had adopted AC 501 with effect from 1 April 2004. In terms of the provisions of AC 501, 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 in the March 2005 results, Mettle, a wholly owned subsidiary of the group, had 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 has in the March 2005 results presented adjusted headline earnings, which negate the effects of deferred tax assets raised or expensed, as additional disclosure, to more accurately reflect the economic reality of the group's results. Accordingly, adjusted headline earnings has, once again, been presented in these results.

Deferred tax assets in respect of STC credits expensed in the current year amount to R67,2 million which have been included in headline earnings. Deferred tax assets in respect of STC credits previously raised and not expensed at the reporting date amount to R48 million.

#### RESULTS FOR THE YEAR

##### Basic earnings

Basic earnings per share amounted to 192,9 cents for the year. Basic earnings per share includes the net earnings after investment surpluses, negative goodwill released and impairment of investments and goodwill. This has decreased when compared to the prior year as the comparative figures include the profit on disposal of the group's interest in Africa-on-Air and the negative goodwill released on the acquisition of GABS.

##### Headline earnings

Headline earnings decreased during the year from R352,3 million to R210,3 million. The comparative year included net deferred tax assets raised of R159 million mainly due to the initial recognition of a deferred tax asset in respect of unutilised tax losses in e-TV, as compared to net deferred tax assets of R43,3 million expensed in the current year. Headline earnings also include non-recurring transaction costs and raising fees amounting to R72 million in respect of the Johnnic offer and Fabvest acquisition. Due to these

large abnormal items being included in headline earnings, headline earnings is not comparable to that of the prior year.

#### Adjusted headline earnings

Adjusted headline earnings has once again been disclosed so as to more accurately reflect the economic reality of the group's results. Adjusted headline earnings exclude all abnormal profits and losses including non recurring transaction costs and raising fees and the effects of net deferred tax assets raised or expensed in respect of unused tax losses and available STC credits. Adjusted headline earnings increased from R194,1 million to R326,1 million. Adjusted headline earnings per share also increased significantly from 183,66 cents to 272,06 cents. This increase is mainly due to the continued improved overall performance of the group's major investments during the year.

#### DISTRIBUTION TO SHAREHOLDERS

Due to the need to retain funds for the acquisitions and operations of the group the directors have decided not to declare any dividends for the year under review.

#### 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 (Jhb) Inc. Their unqualified review opinion is available for inspection at the registered office of the company.

For and on behalf of the board of directors

MJA Golding  
Chairman  
Durban

JA Copelyn  
Chief Executive Officer  
26 June 2006

#### Registered office

Suite 624, Office Tower, Overport City, 430 Ridge Road, Durban, 4001  
PO Box 70874, Overport City, 4067

#### Transfer secretaries

Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street,  
Johannesburg, 2001 PO Box 61051, Marshalltown, Johannesburg, 2107

#### Directors

MA Golding (Chairman), JA Copelyn (Chief Executive Officer)  
VE Mphande, JG Ngcobo\*, VM Engel\*, MF Magugu\*  
AM Ntuli\*, Y Shaik\*, A van der Veen \*(non-executive)

#### Company secretary

TG Govender

#### Sponsor

Investec Bank Limited  
(Registration number 1969/004763/06)