

Notes to the Annual Financial Statements

for the year ended 31 March 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
1. PROPERTY, PLANT AND EQUIPMENT				
<i>Cost</i>				
Broadcast studios, equipment and frequencies	130 003	111 582		
Land and buildings	443 759	120 304		
Plant and machinery	111 829	84 817		
Buses	312 631	332 992		
Computer equipment	25 469	27 656		
Computer software	8 801	8 308		
Furniture and fittings	67 021	18 104		
Leasehold improvements	18 801	17 142		
Motor vehicles	23 235	21 259		
Access platform	33 323	25 036		
Gaming machines	24 685	11 907		
	1 199 557	779 107		
<i>Accumulated depreciation</i>				
Broadcast studios, equipment and frequencies	80 111	65 197		
Land and buildings	104 457	1 617		
Plant and machinery	57 778	41 487		
Buses	40 660	128 742		
Computer equipment	19 552	23 855		
Computer software	8 129	8 150		
Furniture and fittings	49 527	12 066		
Leasehold improvements	13 216	14 807		
Motor vehicles	14 069	13 446		
Access platform	12 086	8 503		
Gaming machines	4 842	1 936		
	404 427	319 806		
<i>Carrying value</i>				
Broadcast studios, equipment and frequencies	49 892	46 385		
Land and buildings	339 302	118 687		
Plant and machinery	54 051	43 330		
Buses	271 971	204 250		
Computer equipment	5 917	3 801		
Computer software	672	158		
Furniture and fittings	17 494	6 038		
Leasehold improvements	5 585	2 335		
Motor vehicles	9 166	7 813		
Access platform	21 237	16 533		
Gaming machines	19 843	9 971		
	795 130	459 301		
<i>Movements in property, plant and equipment</i>				
<i>Balances 31 March 2005</i>				
Broadcast studios, equipment and frequencies	46 385	33 118		
Land and buildings	118 687	36 292		
Plant and machinery	43 330	11 910		
Buses	204 250	-		
Computer equipment	3 801	3 162		
Computer software	158	140		
Furniture and fittings	6 038	3 834		
Leasehold improvements	2 335	4 212		
Motor vehicles	7 813	1 064		
Access platform	16 533	12 270		
Gaming machines	9 971	4 349		
	459 301	110 351		

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for the year ended 31 March 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
<i>Additions</i>				
Broadcast studios, equipment and frequencies	17 353	24 583		
Land and buildings	53 814	1 641		
Plant and machinery	20 390	41 774		
Buses	94 120	44 860		
Computer equipment	5 086	1 857		
Computer software	802	183		
Furniture and fittings	4 400	4 473		
Leasehold improvements	3 173	9 917		
Motor vehicles	4 803	3 434		
Access platform	9 877	11 007		
Gaming machines	17 495	6 957		
	231 313	150 686		
<i>Business combinations</i>				
Broadcast studios, equipment and frequencies	138	-		
Land and buildings	167 500	81 402		
Plant and machinery	65	1 832		
Buses	-	174 145		
Computer equipment	284	1 233		
Computer software	(16)	-		
Furniture and fittings	11 485	813		
Leasehold improvements	2 900	-		
Motor vehicles	111	6 189		
	182 467	265 614		
<i>Disposals</i>				
Broadcast studios, equipment and frequencies	(98)	-		
Plant and machinery	-	(2)		
Buses	(2 885)	(152)		
Computer equipment	(188)	(70)		
Computer software	-	-		
Furniture and fittings	(946)	(41)		
Leasehold improvements	(651)	(8 121)		
Motor vehicles	(584)	(477)		
Access platform	(848)	(91)		
Gaming machines	(4 547)	-		
	(10 747)	(8 954)		
<i>Depreciation</i>				
Broadcast studios, equipment and frequencies	(13 962)	(11 316)		
Land and buildings	(699)	(648)		
Plant and machinery	(9 734)	(12 184)		
Buses	(23 514)	(14 603)		
Computer equipment	(3 065)	(2 381)		
Computer software	(272)	(165)		
Furniture and fittings	(3 408)	(3 041)		
Leasehold improvements	(2 172)	(3 673)		
Motor vehicles	(2 977)	(2 397)		
Access platform	(4 325)	(6 653)		
Gaming machines	(3 076)	(1 335)		
	(67 204)	(58 396)		

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for the year ended 31 March 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
<i>Balances 31 March 2006</i>				
Broadcast studios, equipment and frequencies	49 892	46 385		
Land and buildings	339 302	118 687		
Plant and machinery	54 051	43 330		
Buses	271 971	204 250		
Computer equipment	5 917	3 801		
Computer software	672	158		
Furniture and fittings	17 494	6 038		
Leasehold improvements	5 585	2 335		
Motor vehicles	9 166	7 813		
Access platform	21 237	16 533		
Gaming machines	19 843	9 971		
	795 130	459 301		
<p>A register of land and buildings is available for inspection at the registered office of the company.</p> <p><i>Encumbrances</i></p> <p>Mortgages are registered over access platforms, certain plant and machinery and certain land and buildings as security for the loans details in note 17</p> <p>The carrying value of assets encumbered is R298,2 million (2005 : R 177,9 million)</p>				
2. INVESTMENT PROPERTIES				
<i>Investment properties consist of:</i>				
Bare dominiums	25 235	13 729		
Other investment properties	129 000	-		
	154 235	13 729		
<p>Investments properties are stated at fair value. The latest external valuations, of the bare dominiums, were at 31 January 2006. Bonds are registered over the bare dominiums, other investment properties are stated at fair value on acquisition in December 2005.</p> <p>Details of investment properties are available at the registered office of the company.</p> <p><i>Reconciliation of carrying value</i></p>				
At beginning of year	13 729	11 620		
Fair value adjustments	11 506	2 109		
Business combinations	129 000	-		
At end of year	154 235	13 729		
3. INTANGIBLE ASSETS				
Software development costs	1876	865		
<i>Reconciliation of carrying value</i>				
At beginning of year	865	-		
Additions	1 753	865		
Business combinations	62	-		
Ammortisation	(804)	-		
At end of year	1 876	865		

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for the year ended 31 March 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
4. INVESTMENTS				
4.1 ASSOCIATED COMPANIES				
<i>Unlisted</i>				
Johnson Crane Hire (Pty) Ltd				
500 (2005 : 445) shares at cost				
- 50% (2005 : 44,5%) interest	15 487	15 487	-	-
Equity accounted earnings	7 864	2 812	-	-
Loan receivable	3 365	4 242	-	-
	26 716	22 541	-	-
Sukyae-Land (Pty) Ltd				
425 shares at cost - 42,5% interest	-	36 232	-	-
Equity accounted earnings	-	(5 703)	-	-
	-	30 529	-	-
Tsogo Investment Holding Company (Pty) Ltd				
766 (2005 : 481) shares at cost				
- 51% (2005 : 32,1%) interest	451 409	152 609	-	-
Equity accounted earnings	189 515	62 089	-	-
	640 924	214 698	-	-
Tsogo Sun KwaZulu-Natal (Pty) Ltd				
Shares at cost - 28,6% interest	29 300	-	-	-
Equity accounted earnings	37 000	-	-	-
	66 300	-	-	-
Clover Industries Limited				
19 303 856 ordinary shares at cost				
- 0,84% economic interest	25 000	-	-	-
35 805 427 preference shares at cost				
- 41,9% economic interest	95 855	-	-	-
Equity accounted earnings	11 838	-	-	-
	132 693	-	-	-
Minor associates*	38 136	46 246	10 367	19 965
Total associated companies	904 769	314 014	10 367	19 965
Directors' valuation of associated companies	2 145 529	1 160 506		
* A list of these investments is available for inspection at the company's registered office				
4.2 LISTED COMPANIES				
Shares at market value				
Johnnic Holdings Ltd - 34 500 623 shares (now a subsidiary)	-	311 217	-	-
Other	-	4 361	-	1 862
	-	315 578	-	1 862

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for the year ended 31 March 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
4.3 OTHER INVESTMENTS				
Clover Industries Ltd 10 248 848 cumulative preference shares (now an associate)	-	28 162	-	-
Move On Up 104 (Pty) Ltd 100 cumulative preference shares	85 213	85 213	-	-
HCI Employee Share Trust loan	-	-	10 066	7 600
Sinking fund insurance policies	24 000	-	-	-
Sundry loans and investments	11 057	18 177	-	9 179
	120 270	131 552	10 066	16 779

4.4 SUMMARISED FINANCIAL INFORMATION OF SIGNIFICANT ASSOCIATES

	Johnson Crane Hire (Pty) Ltd R'000	Clover Industries Limited R'000	Tsogo Investment Holding Company (Pty) Ltd R'000
<i>Non-current assets</i>	114 269	4 035 840	851 627
Property, plant and equipment	114 269	3 226 936	763 774
Intangible assets and goodwill	-	557 573	27 104
Available for sale assets	-	26 781	-
Investments	-	144 828	1 604
Deferred tax	-	50 076	59 145
Long term receivables	-	29 646	-
<i>Current assets</i>	76 067	881 813	1 537 402
Inventories	-	19 483	384 274
Trade and other receivables	37 736	239 978	642 675
Taxation	-	2 366	-
Cash and cash equivalents	38 331	619 986	510 453
Total assets	190 336	4 917 653	2 389 029
<i>Capital, reserves and minority</i>	51 362	1 785 786	566 057
<i>Non-current liabilities</i>	73 314	1 598 828	315 986
Interest-bearing liabilities	64 688	1 000 848	315 986
Post-retirement medical benefit obligation	-	19 603	-
Liability for share-based payments	-	302 281	-
Provisions and other liabilities	7 983	226 296	-
Deferred tax	643	49 800	-
<i>Current liabilities</i>	65 660	1 533 039	1 506 986
Non-interest-bearing current liabilities	31 562	448 569	1 194 560
Current portion of interest-bearing liabilities	34 098	777 292	312 426
Provisions	-	106 188	-
Taxation	-	200 990	-
Total equity and liabilities	190 336	4 917 653	2 389 029
Income statement information			
Share of earnings	5 052	11 838	114 926

Financial information utilised above

Johnson Crane Hire (Pty) Limited - Year ended 30 June 2006

Tsogo Investment Holding Company (Pty) Limited - Year ended 31 March 2006

Clover Industries Limited - Interim 6 months ended 31 December 2005

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for the year ended 31 March 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
5. SUBSIDIARY COMPANIES				
Shares at cost less impairment			579 088	521 034
Amounts owing by subsidiary companies			755 244	598 650
			1 334 332	1 119 684

Full details of subsidiary companies are provided on pages 63 and 64.

6. GOODWILL				
Arising on acquisition of shares in subsidiaries	82 683	-		
<i>Reconciliation of carrying value</i>				
At beginning of year	-	9 606		
Business combinations	82 683	-		
Impairment	-	(9 606)		
At end of year	82 683	-		

7. LONG TERM RECEIVABLES				
Instalment receivables	47 625	-	-	-
Other long term receivables	8 895	13 793	-	-
	56 520	13 793	-	-
<i>Details of instalment receivables</i>				
Gross investment in leases	79 106	-	-	-
Unearned finance income	(18 565)	-	-	-
Net investment in leases	60 541	-	-	-
Provision for impairment of instalment receivables	(1 816)	-	-	-
Present value of minimum lease payments	58 725	-	-	-
Short term portion	(11 100)	-	-	-
	47 625	-	-	-

Reconciliation of total minimum lease payments at 31 March 2006 and their present value:

	Up to 1 year R'000	2 to 5 Years R'000	Total R'000
Minimum lease payments	18 270	59 020	77 290
Unearned finance charges	(7 170)	(11 395)	(18 565)
	11 100	47 625	58 725

The instalment receivables comprise debt purchased from third parties. The provision for impairment of instalment receivables is estimated on a specific basis per debtor after taking securities into account.

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for the year ended 31 March 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
8. FINANCIAL ASSETS				
Financial assets	6 191 493	11 455 420	-	-
Short term portion of financial assets	(1 568 572)	(5 526 574)	-	-
	4 622 921	5 928 846	-	-
Financial assets consist of:				
Loans and receivables	4 001 420	4 935 505	-	-
Held-to-maturity investments (preference shares)	2 190 073	6 296 367	-	-
Investments held for trading	-	223 548	-	-
	6 191 493	11 455 420	-	-
Investments held for trading consists of a managed portfolio:				
Listed shares at market value	-	188 115	-	-
Cash	-	1 284	-	-
Swap value	-	34 149	-	-
	-	223 548	-	-

Detailed records of the shares are maintained at the subsidiary company's registered office and will be made available upon written request.

Maturity date for each class of financial asset:

	Loans and receivables R'000	Held-to-maturity investments R'000	Total R'000
< 1 year	809 930	758 643	1 568 573
1 - 2 years	1 090 245	-	1 090 245
2 - 3 years	1 928 483	1 386 601	3 315 084
3 - 4 years	111 559	-	111 559
4 - 5 years	61 203	44 829	106 032
Total	4 001 420	2 190 073	6 191 493

Aggregate carrying value of fixed rate and floating interest and dividend rate financial assets:

	Floating rate R'000	Fixed rate R'000	Total R'000
Loans and receivables	388 219	3 613 202	4 001 421
Held-to-maturity investments	-	2 190 073	2 190 073
	388 219	5 803 275	6 191 494

Range of effective rates for each class of financial assets:

	Low	High
Loans and receivables (interest rate)	7,82%	18,65%
Held-to-maturity investments (dividend rate)	7,73%	23,82%

Loans and receivables have been ceded as security for the obligation to redeem preference shares.

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	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
9. INVENTORIES				
Raw materials	28 074	23 341	-	-
Work in progress	13 585	11 646	-	-
Finished goods	12 464	11 833	-	-
Consumables and spares	16 965	11 485	-	-
Provision for obsolete inventory	(1 473)	(1 821)	-	-
	69 615	56 484	-	-
No inventory is held at net realisable value				
<i>Encumberances</i>				
Certain inventories have been ceded as security for loans due. Refer note 17.				
10. PROGRAMME RIGHTS				
Television programmes				
-International	191 173	239 308	-	-
-Local	39 392	24 228	-	-
	230 565	263 536	-	-
<i>Reconciliation of carrying value</i>				
At beginning of year	263 536	216 247	-	-
Additions	117 395	207 845	-	-
Ammortised through cost of sales	(150 366)	(160 556)	-	-
At end of year	230 565	263 536	-	-
11. TRADE AND OTHER RECEIVABLES				
Trade receivables	360 293	189 785	-	-
Other receivables	17 115	71 844	2 739	13 367
Current portion of long term receivables	13 201	5 591	-	-
Short term loans	393 097	-	-	-
	783 706	267 220	2 739	13 367
<i>Encumberances</i>				
Certain trade receivables have been ceded as security for loans due. Refer note 17.				

Notes to the Annual Financial Statements

for the year ended 31 March 2006

12. PLEDGED DEPOSITS

Bank deposits of R 2,01 million (2005 : R12,956 million) have been pledged to support guarantees of R2 million (2005 : R 12,586 million) issued by the company's bankers in favour of certain South African Provincial Gaming Boards for the due and punctual fulfilment of the licence obligations under which certain group subsidiaries operate.

Johnnic Holdings Limited ("Johnnic") had guaranteed 32% of a R600 million bridging loan facility provided by Investec Bank Limited to Tsogo Sun KwaZulu-Natal (Pty) Ltd., an associate. Johnnic had secured this guarantee by providing cash collateral of R192 million. The bridging facility was repaid on 31 May 2006.

13. ORDINARY SHARE CAPITAL

	2006 Number of shares '000	2005 Number of shares '000	2006 R'000	2005 R'000
<i>Authorised</i>				
Ordinary shares of 25 cents each	450 000	450 000	112 500	112 500
<i>Issued</i>				
In issue in company	124 723	119 472	31 181	29 868
Treasury shares held by subsidiary and employee share trust	(1 841)	(1 475)	(460)	(369)
	122 882	117 997	30 721	29 499

Details of the issued share capital and share premium and changes during current and prior the year are as follows:

	Number of shares '000	Share capital R'000	Share premium R'000
In issue at 31 March 2004	111 258	27 814	507 395
Issued for cash	2 300	575	21 275
Issued to employee share trust	5 914	1 479	17 061
Share issue expenses	-	-	(101)
	119 472	29 868	545 630
Treasury shares held by subsidiary and employee share trust	(1 475)	(369)	(10 945)
In issue at 31 March 2005	117 997	29 499	534 685
In issue at 31 March 2005	119 472	29 868	545 630
Issued for cash	200	50	5 050
Issued to fund acquisition of Johnnic Holdings Ltd	4 627	1 157	127 025
Issued to employee share trust	2 424	606	17 820
Shares repurchased	(2 000)	(500)	(53 500)
Share issue expenses	-	-	(379)
	124 723	31 181	641 646
Treasury shares held by subsidiary and employee share trust	(1 841)	(460)	(12 695)
In issue at 31 March 2006	122 882	30 721	628 951

Details of options over shares are set out on page 55.

The unissued shares are under the control of the directors until the next annual general meeting.

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	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
14. OTHER RESERVES				
Foreign currency translation reserve	(2 202)	-	-	-
Share based payment reserve	4 007	1 476	-	-
	1 805	1 476	-	-
15. MINORITY INTEREST				
Share of equity of subsidiaries	834 862	126 801		
<i>Reconciliation of carrying value</i>				
At beginning of year	126 801	133 528		
Business combinations and changes in holding	660 473	(125 840)		
Dividends	(7 699)	-		
Share of profit for the year	55 287	119 113		
	834 862	126 801		
16. FINANCIAL LIABILITIES				
Financial liabilities	6 237 976	11 517 438	-	-
Short term portion of financial liabilities	(1 571 325)	(5 529 989)	-	-
	4 666 651	5 987 449	-	-
Financial liabilities consist of:				
Loans due to to third parties	2 397 935	6 511 944	-	-
Preference share liabilities	3 840 041	5 005 494	-	-
	6 237 976	11 517 438	-	-

Maturity date for each class of financial liabilities:

	Loans due to third parties R'000	Preference share liabilities R'000	Total R'000
< 1 year	936 786	634 539	1 571 325
1 - 2 years	7 425	1 087 388	1 094 813
2 - 3 years	1 392 012	1 956 142	3 348 154
3 - 4 years	5 631	107 889	113 520
4 - 5 years	56 081	54 083	110 164
Total	2 397 935	3 840 041	6 237 976

Aggregate carrying value of fixed rate and floating interest and dividend rate financial liabilities:

	Floating rate R'000	Fixed rate R'000	Total R'000
Loans and receivables	172 662	2 225 273	2 397 935
Held-to-maturity investments	214 474	3 625 567	3 840 041
	387 136	5 850 840	6 237 976

Range of effective rates for each class of financial assets:

	Low	High
Loans due to to third parties (interest rate)	7,85%	23.82%
Preference share liabilities (dividend rate)	7,22%	14.90%

The obligation to redeem preference shares is secured by loans and receivables - refer note 8

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for the year ended 31 March 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
17. LONG TERM LOANS				
<i>Secured</i>				
Loans bearing interest at JIBAR +2,5%.				
Capital and interest is repayable semi-annually with the the final payment being due on 1 July 2010. Secured by cession and pledge of shares in and loans to certain subsidiaries. A detailed list of the shares and loans held as security is available at the company's registered office.	389 317	-		
Loans bearing interest at JIBAR +2,5%.				
Capital and interest is repayable semi-annually with the the final payment being due on 1 July 2011. Secured by cession and pledge of shares in and loans to certain subsidiaries. A detailed list of the shares and loans held as security is available at the company's registered office.	192 378	-		
Loan facility structured as 90 day secured non-amortising debentures. Interest payments are due quarterly in arrears. The interest rate on the facility is priced quarterly at the 3 Month JIBAR rate plus 80bps.	52 964	-		
Loan secured by accounts receivable, repayable during December 2007 and bearing interest at the following rates: on 87,5% of the facility - JIBAR plus 350bps and on 12,5% of the facility - JIBAR plus 700bps.	33 997	-		
Revolving credit loan bearing interest at prime minus 0,75% per annum and repayable in 24 monthly instalments of R579 000. The loan is secured by a cession of certain contracts, a general notarial bond registered over certain property, plant and equipment and inventory and a cession of all rights, title and interest to certain book debts.	13 884	-		
Loan bearing interest at prime minus 1% per annum repayable in monthly instalments of R62 520 and a final instalment of R61 650 due on 30 September 2006. This loan is secured by a cession of rights, title and interest in a lease agreement.	375	-		
Term loan bearing interest at prime minus 0,5% per annum and repayable in 60 monthly instalments of R183 388 (2005 : R 180 276)	4 269	12 879		
Loans secured by mortgage payable in monthly instalments of R60 309 (2005 : 62 362) inclusive of interest at prime minus 0,25%.	8 004	9 024		
Loan payable in monthly instalments of inclusive of interest of 6,5%	-	12 800		
Suspensive sale payable in monthly instalments of R3 518 400 (2005 : R1 842 000) inclusive of interest varying with prime.	145 599	75 763		
Finance leases payable in monthly instalments of R601 900 (2005 : R456 000)	19 605	16 618		

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	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
<i>Unsecured</i>				
Loan bearing interest at 11%, payable quarterly in arrear, with capital due on 15 December 2009.	85 000	85 000		
Loan payable in monthly instalments of R 612 000 (2005 : R 612 000) inclusive of interest at 14,66%	8 866	14 462		
Loan bearing interest at prime plus 12%	4 882	-		
Interest free liabilities due by 30 June 2006	7 260	13 010		
Interest free liabilities with no fixed date of repayment	38 002	149 147		
Other	761	-		
	1 005 163	388 703		
Current portion	(316 523)	(192 650)		
	688 640	196 053		
<i>Carrying value of assets encumbered as security</i>				
Land and buildings	74 293	33 687		
Platforms	21 237	16 533		
Buses	169 848	90 970		
Trade receivables	12 636	-		
Inventory	6 752	6 771		
Plant, equipment and vehicles	32 791	29 973		
	317 557	177 934		
18. DEFERRED TAXATION				
<i>Movements in deferred taxation</i>				
At beginning of year	380 614	150 725		
Business combination	22 683	(32 859)		
Revaluation of buses and land and buildings	-	11 982		
Change in rate to 29%	-	1 095		
Asset revaluations	(16 169)	-		
Property, plant and equipment	(2 451)	(3 193)		
Provisions and inventory	570	9 005		
Assessed losses	(40 047)	299 771		
Other	1 863	(1 863)		
Application of AC 501	(43 136)	(53 032)		
At end of year	303 927	381 631		
<i>Analysis of deferred taxation</i>				
Fair value adjustment of investments	(3 479)	(2 984)		
Unrealised (losses) gains	(4 821)	(6 702)		
Application of AC 501	71 414	114 550		
Assessed losses	280 589	299 771		
Foreign differences and other	(6 680)	(3 795)		
Operating lease equalisation liability	6 555	-		
Revaluation of buses	-	(20 705)		
Asset revaluations	(20 569)	-		
Accelerated depreciation for tax purposes	(43 910)	(21 087)		
Provsions and inventory	24 828	22 583		
	303 927	381 631		
<i>Composition of deferred taxation</i>				
Deferred taxation assets	357 664	415 538		
Deferred taxation liabilities	(53 737)	(33 907)		
	303 927	381 631		

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	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
19. TRADE AND OTHER PAYABLES				
Trade payables	460 898	324 499	35 040	13 097
Other payables	1 475	341 958	-	-
	462 373	666 457	35 040	13 097
20. SHORT TERM LOANS				
<i>Secured</i>				
Loan secured by the cession and pledge of shares bearing interest at 11.82% per annum. Capital due on 8 March 2007. Interest payable quarterly in arrears.	24 446	-	-	-
<i>Unsecured</i>				
Loan bearing interest at 4% per annum. Other	1 230 -	9 592 442	- -	- -
	25 676	10 034	-	-
21. PROVISIONS				
<i>Due in terms of guarantees to loan financiers of group companies</i>				
Balance at beginning of year	-	2 750	-	2 750
On acquisition of subsidiary	1 232	-	-	-
Raised during the year	71	-	-	-
Utilised	-	(2 750)	-	(2 750)
Balance at end of year	1 303	-	-	-
<i>Leave pay</i>				
Balance at beginning of year	11 486	5 400	-	-
On acquisition of subsidiary	4 763	7 909	-	-
Raised during the year	9 806	2 041	-	-
Utilised	(11 943)	(3 864)	-	-
Balance at end of year	14 112	11 486	-	-
<i>Staff bonuses</i>				
Balance at beginning of year	11 477	10 039	-	-
On acquisition of subsidiary	600	4 281	-	-
Raised during the year	14 820	14 202	-	-
Utilised	(16 844)	(17 045)	-	-
Balance at end of year	10 053	11 477	-	-
<i>Repurchase of service</i>				
Balance at beginning of year	26 815	-	-	-
On acquisition of subsidiary	-	18 537	-	-
Raised during the year	3 431	1 472	-	-
Transferred to assets	-	6 806	-	-
Balance at end of year	30 246	26 815	-	-
<i>Third party claims</i>				
Balance at beginning of year	6 495	-	-	-
On acquisition of subsidiary	-	7 250	-	-
Raised during the year	6 074	-	-	-
Utilised	(3 650)	(755)	-	-
Balance at end of year	8 919	6 495	-	-
<i>Lease debtor</i>				
Balance at beginning of year	-	-	-	-
On acquisition of subsidiary	2 234	-	-	-
Utilised	(535)	-	-	-
Balance at end of year	1 699	-	-	-

Notes to the Annual Financial Statements

for the year ended 31 March 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
<i>Other</i>				
Balance at beginning of year	3 319	3 359	-	-
On acquisition of subsidiary	1 986	345	-	-
Raised during the year	794	100	-	-
Utilised	(3 319)	(485)	-	-
Balance at end of year	2 780	3 319	-	-
Total provisions	69 112	59 592	-	-

Repurchase of service

Provision raised in respect of costs that will be payable to employees on completion of the restructuring of the bus industry by the Department of Transport. The Department of Transport has signed a memorandum of agreement whereby the group will be reimbursed for certain costs incurred in this regard.

22. POST RETIREMENT MEDICAL BENEFITS

Balance at beginning of year	28 350	27 315	-	-
Current service cost	498	498	-	-
Interest cost	2 551	1 956	-	-
Expected employer benefit payments	(576)	(1 419)	-	-
Balance at end of year	30 823	28 350	-	-

A subsidiary pays a monthly grant to the Golden Arrow Employees' Medical Benefit Fund (MBF) and the fund uses the grant to cover the payments not financed from members' contributions. The administrators of MBF are the Metropolitan Health Group. The company also makes monthly contributions to Discovery Health.

The calculation of accrued service liability in respect of post retirement health care was performed by Fifth Quadrant Actuaries and Consultants as at 31 March 2006 and amounted to R30 823 000 (2005 : R 28 350 000). The projected unit credit method has been used to value the post retirement medical liabilities. Under this method the liability for employee members is allocated based on the service accrued to the date of valuation and the service expected to arise up to retirement age. The principal actuarial assumptions used: Discount rate - 7.5% (2005 : 9%), normal retirement age - 65 (2005: 65), continuation of membership at retirement - 55% (2005 : 55%). An expected longterm medical aid subsidy increase rate of 6% (2005 : 7%) has been used for Topmed and Discovery Health, and a rate of 4.5% (2005 : 5.5%) has been used for the Medical Benefit Fund.

23. COMMITMENTS

Operating leases

Future leasing charges for premises

Payable within one year	3 305	5 080	-	-
Payable two to five years	6 436	6 991	-	-
	9 741	12 071	-	-

Capital expenditure

Contracted for buses	20 000	-	-	-
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It is intended that this expenditure will be funded from bank finance.

Notes to the Annual Financial Statements

for the year ended 31 March 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
24. REVENUE				
Media and broadcasting	669 786	575 764		
Financial services	129 498	38 640		
Gaming, hotels and leisure	90 016	22 284		
Information technology	56 842	-		
Transport	664 238	434 131		
Industrial	431 592	276 860		
Gallagher Estate and Properties	67 000	-		
Other	3 010	608		
	2 111 982	1 348 287		
25. INVESTMENT INCOME				
<i>Dividends</i>				
Listed investments	31	1 511	30	497
Unlisted investments	7 705	3 858	-	-
Associates	-	-	-	800
Subsidiaries	-	-	108 469	153 660
	7 736	5 369	108 499	154 957
<i>Interest</i>				
Investments	770	319	-	-
Bank	12 867	34 470	2 054	-
Other	85 581	10 469	-	-
Subsidiaries	-	-	-	5 173
	99 218	45 258	2 054	5 173
26. INVESTMENT SURPLUS				
On realisation of investments	3 177	138 903	7 218	185 397
27. (IMPAIRMENT) / RECOUPMENT OF GOODWILL AND INVESTMENTS				
Impairment of goodwill and investments	(225)	(9 606)	-	-
Impairment of investments in subsidiaries	-	-	(67 946)	-
Decrease in impairment of investment in subsidiaries	-	-	-	361 928
	(225)	(9 606)	(67 946)	361 928
28. FINANCE COSTS				
Interest	118 210	11 760	717	17
Raising fees	53 500	-	-	-
	171 710	11 760	717	17
29. PROFIT BEFORE TAXATION				
<i>The following items have been included in arriving at profit before taxation:</i>				
Auditors remuneration				
- Audit fees - current year	4 958	4 477	745	563
- Prior year	328	135	-	-
- Other services	1 085	1 540	40	-
Consultancy fees	19 705	10 128	707	-
Listing fees	368	224	368	224
Operating lease charges				
- Premises	23 740	5 567	-	-
- Plant and equipment	878	1 009	-	-
Foreign exchange (profit)/loss	(3 453)	(8 806)	-	-
Loss/(profit) on disposal of fixed assets	704	(24 869)	-	-
Average number of employees 3 613 (2005: 3126)				

Notes to the Annual Financial Statements

for the year ended 31 March 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
30. TAXATION				
<i>South African taxes</i>				
Current normal tax	108 167	29 674	582	910
Prior year normal tax	(4 793)	(1)	-	-
Deferred normal tax	(25 977)	(306 365)	-	24
Deferred tax rate change	-	(1 095)	-	-
Capital gains tax	681	474	-	-
Secondary tax on companies	55 941	495	-	-
Application of AC 501	67 028	53 032	-	-
<i>Foreign taxes</i>				
Current normal tax	(158)	1 707	-	-
Deferred normal tax	-	396	-	-
	200 889	(221 683)	582	934
Various subsidiaries have incurred operating losses which result in losses for tax purposes. Deferred tax assets have not been raised unless it is probable that future taxable profits will be available against which the unused tax losses can be utilised.				
Losses for tax purposes available for set off against future taxable income and for which deferred tax assets have not been raised are estimated at:				
- Normal tax	616 405	460 000	-	-
- Capital gains tax	362 500	420 000	-	-
- Secondary tax on companies	167 045	-	-	-
Tax relief at current rates:				
- Normal tax	178 757	138 000	-	-
- Capital gains tax	52 563	63 000	-	-
- Secondary tax on companies	20 881	-	-	-
<i>Reconciliation of tax rate</i>	%	%		
Normal tax rate	29,0	30,0		
Deferred tax not raised on losses	11,8	19,5		
Capital losses and non-deductible expenses	0,4	0,3		
Non-taxable income including share of associates income	(12,6)	(32,1)		
(Raising) / reversal of deferred tax asset	0,4	(49,9)		
Differential tax rates - CGT and foreign	(0,2)	(7,4)		
Secondary tax on companies	(7,4)	(3,3)		
Effective rate	21,4	(42,9)		

Notes to the Annual Financial Statements

for the year ended 31 March 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
31. EARNINGS PER SHARE				
Earnings per share is based on the weighted average number of 119 853 314 ordinary shares in issue (2005 : 105 703 554).				
Diluted earnings per share is based on the weighted average number of 122 721 634 ordinary shares in issue (2005 : 118 299 169)				
In order to more accurately reflect the economic reality of the group's results adjusted headline profit and earnings per share are also disclosed.				
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.				
<i>Reconciliation of headline earnings:</i>				
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	-	9 606		
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	1 740		
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		

32. NOTES TO THE CASH FLOW STATEMENT

32.1 CASH GENERATED BY OPERATIONS

Profit before taxation	487 371	502 716	29 098	700 333
Depreciation	67 204	58 346	-	-
Amortisation of intangibles	804	-	-	-
Share based payments	2 531	1 476	-	-
Profit on disposal of property plant and equipment	-	(23 129)	-	-
Impairment of goodwill and investments	225	3 268	67 946	(361 785)
Equity accounted profits retained	(142 435)	(66 742)	-	-
Negative goodwill released on acquisition of interest in subsidiaries	(8 968)	(102 470)	-	-
Forex translation	(2 202)	224	-	-
Fair value adjustments	(13 099)	(5 505)	-	-
Investment income				
-Dividends	(7 736)	(154 958)	-	(154 957)
-Interest	(99 218)	(5 172)	-	(5 173)
Finance costs	171 710	11 760	717	-
Trading activities	-	(124)	-	17
Investment surplus	6 452	(123 426)	(2 718)	(185 795)
Movement in provisions	1 178	757	-	(2 750)
Operating lease equalisation asset	(3 400)	-	-	-
Other non cash items	2 325	32 692	-	-
Prior year minority adjustment	-	(3 596)	-	-
	462 742	126 117	95 043	(10 110)

Notes to the Annual Financial Statements

for the year ended 31 March 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
32.2 CHANGES IN WORKING CAPITAL				
Inventory	(12 831)	(30 084)	-	-
Programming rights	32 971	(47 288)	-	-
Trade and other receivables	(31 808)	861	10 628	10 714
Prepayments	-	(4 752)	-	-
Trade and other payables	37 082	100 619	21 943	11 194
Forex contracts	(4 193)	4 709	-	-
Net financial liabilities	(15 535)	11 095	-	-
	5 686	35 160	32 571	21 908
32.3 TAXATION PAID				
Unpaid at beginning of year	(10 139)	(5 862)	770	1 456
Charged to the income statement	(200 889)	220 666	(582)	(934)
Deferred tax movement	102 252	(253 058)	-	-
Business combinations	(3 845)	(11 201)	-	-
Unpaid at end of year	11 223	10 139	(483)	(770)
	(101 398)	(39 316)	(295)	(248)

32.4 BUSINESS COMBINATIONS/DISPOSALS

	2006		2005	
	Acquisition R'000	Disposal R'000	Acquisition R'000	Disposal R'000
At acquisition/disposal				
Property plant and equipment	(190 123)	7 656	(265 614)	-
Investment properties	(129 000)	-	-	-
Intangible assets	(62)	-	-	-
Investments	(254 000)	4 232	(4 226)	-
Deferred tax asset	(22 683)	-	-	-
Goodwill	(82 683)	-	-	-
Negative goodwill	8 968	-	72 795	-
Long term receivables	(4 507)	-	-	-
Inventories	(7 371)	6 771	(10 826)	-
Trade and other receivables	(87 711)	3 147	(40 150)	-
Deferred tax liability	-	-	32 859	-
Non-current liabilities including current portion	25 944	(20 060)	39 480	-
Operating lease equalisation liability	22 300	-	-	-
Trade and other payables	75 538	(1 979)	50 600	-
Taxation liability	3 845	-	12 403	-
Provisions	10 815	-	65 637	-
Pre effective date income	34 904	-	-	-
	(595 826)	(233)	(47 042)	-
Bank at date of acquisition/disposal	(776 494)	233	(210 378)	-
	(1 372 320)	-	(257 420)	-
Minority interest	656 963	-	-	-
Issue of shares	126 945	-	-	-
Carrying value of investments at date that it became a subsidiary	9 179	-	-	-
	(579 233)	-	(257 420)	-

Notes to the Annual Financial Statements

for the year ended 31 March 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
32.5 CASH AND CASH EQUIVALENTS				
Bank balances and deposits	782 079	546 637	2 414	26 532
Bank overdraft and loans	(13 324)	(2 233)	(109)	-
	768 755	544 404	2 305	26 532

33. HCI EMPLOYEE SHARE OPTION SCHEME

In terms of the option scheme, shares are offered on a combined share option and deferred sale basis. Participants can take up shares in tranches over a period of seven years from the day of the grant at the exercise price provided that they remain in the group's employ until the options vest.

Options must be exercised within ten years of being granted, whereafter the options lapse. Options vest as follows : 25% after 1 year, 25% after 3 years, 25% after 5 years and 25% after 7 years. These vesting periods may be varied by the trustees of the scheme. Participants have 10 years from date of grant to pay for the shares.

Share options granted to eligible participants that have been exercised but have not yet become unconditional:

	2006 Number of shares	2005 Number of shares
Balance at beginning of the year	3 424 474	11 780 000
Options granted and exercised	-	3 424 474
Options vested and paid for	(2 100 000)	(11 780 000)
Balance at the end of the year	1 324 474	3 424 474

The options outstanding at 31 March 2006 become unconditional between the following dates:

	Number of share options	Exercise price R
1 September 2005 and 31 August 2007	356 118	8,55
1 September 2007 and 31 August 2008	356 119	8,55
1 September 2009 and 31 August 2011	356 119	8,55
	1 068 356	
Options vested but not yet paid for	256 118	8,55
	1 324 474	

Options granted to executive directors

	2006		2005	
	Number of shares	Weighted average exercise price R	Number of shares	Weighted average exercise price R
VE Mphande				
Balance at the beginning of the year	1 000 000	8,55	-	-
Options granted and exercised	-	-	1 000 000	8,55
Options vested and paid for	(100 000)	8,55	-	-
Balance at the end of the year	900 000	8,55	1 000 000	8,55
A van der Veen				
Balance at the beginning of the year	250 000	8,55	-	-
Options granted and exercised	-	-	250 000	8,55
Options vested and paid for	-	-	-	-
Balance at the end of the year	250 000	8,55	250 000	8,55

Notes to the Annual Financial Statements

for the year ended 31 March 2006

34. DIRECTORS' SHAREHOLDINGS

Directors' shareholdings

31 March 2006	Direct beneficial		Indirect beneficial	
	Number	Percentage holding	Number	Percentage holding
<i>Executive directors</i>				
JA Copelyn	5 549 931	4,5	7 047 587	5,7
MJA Golding	7 541 109	6,0	1 480 733	1,2
VE Mphande	-	-	-	-
A van der Veen*	-	-	-	-
<i>Non-executive directors</i>				
VM Engel	-	-	-	-
MF Magugu	-	-	-	-
JG Ngcobo	6 995	-	-	-
AM Ntuli	3 358	-	-	-
Y Shaik	-	-	-	-
Total	13 101 393	10,5	8 528 320	6,9

31 March 2005

Executive directors

JA Copelyn	8 327 709	7,0	8 269 809	6,9
MJA Golding	7 541 109	6,3	2 480 733	2,1
VE Mphande	-	-	-	-

Non-executive directors

VM Engel	-	-	-	-
MF Magugu	-	-	-	-
JG Ngcobo	14 833	-	-	-
AM Ntuli	3 500	-	-	-
Y Shaik	-	-	-	-
Total	15 887 151	13,3	10 750 542	9,0

* A van der Veen was appointed 30 March 2006. Subsequent to year end he acquired 600 000 shares

None of the directors have any non-beneficial interest in the share capital of the company except for :

- JA Copelyn who is non-beneficially indirectly interested in 549 638 (2005 : 549 638) shares (0,4% of the shares in issue)
- The HCI Foundation holds 4 500 000 shares in HCI. The trustees of the foundation include Messrs JA Copelyn, VE Mphande, MJA Golding and VM Engel. To this extent they are indirectly non-beneficially interested in these shares.

Notes to the Annual Financial Statements

for the year ended 31 March 2006

35. DIRECTORS EMOLUMENTS

	Year ended 31 March 2006				Year ended 31 March 2006			
	Board fees R'000	Salary R'000	Bonus R'000	Total R'000	Board fees R'000	Salary R'000	Bonus R'000	Total R'000
<i>Executive directors</i>								
JA Copelyn	-	1 794	2 331	4 125	-	1 748	2 194	3 942
MJA Golding	-	1 794	2 331	4 125	-	1 748	2 194	3 942
VE Mphande	-	799	540	1 339	50	400	-	450
A van der Veen*	-	-	-	-	-	-	-	-
<i>Non-executive directors</i>								
VM Engel	110	-	-	110	160	-	-	160
MF Magugu	110	-	-	110	100	-	-	100
JG Ngcobo	110	-	-	110	50	-	-	50
AM Ntuli	110	-	-	110	100	-	-	100
Y Shaik	73	-	-	73	-	-	-	-
	513	4 387	5 202	10 102	460	3 896	4 388	8 744

* appointed 30 March 2006

36. SEGMENT REPORT

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

	Revenue R'000	Results R'000	Assets R'000	Liabilities R'000	Fixed asset	
					additions R'000	Depreciation R'000
2006						
Media & broadcasting	669 786	178 245	544 196	250 836	68 194	17 263
Financial services	129 498	69 368	6 479 582	6 381 247	1 618	1 602
Gaming hotels & leisure	90 016	159 392	754 465	6 380	22 525	5 137
Information technology	56 842	13 444	73 827	35 199	5 626	2 437
Transport	664 238	107 018	491 736	352 599	100 045	27 481
Industrial	431 592	36 781	251 379	155 536	29 043	13 284
Food & beverage	-	15 525	137 768	24 446	-	-
Gallagher Estate and Properties	67 000	34 492	266 000	51 000	4 200	-
Other	3 010	(327 783)	1 541 756	698 175	62	-
	2 111 982	286 482	10 540 709	7 955 418	231 313	67 204

Taxation is included in other as follows:

Assets R363,7 million, Liabilities R70,6 million and results R200,9 million.

2005

Media & broadcasting	575 764	129 418	727 930	382 526	28 159	13 261
Financial services	38 640	28 424	11 608 360	11 588 688	10 322	11 158
Gaming hotels & leisure	22 284	40 934	542 772	-	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	57 220	12 916
Other	608	449 577	788 983	447 498	32	69
	1 348 287	724 399	14 254 508	12 738 194	152 101	58 396

Taxation is included in other as follows:

Assets R415,5 million, Liabilities R44,8 million and results R221,6 million. Certain divisions operate in Namibia and the United Kingdom. No secondary report has been included as the group derives substantially all its revenues and income from within the Republic of South Africa.

Notes to the Annual Financial Statements

for the year ended 31 March 2006

Amounts applicable to associates included above :

	2006		2005	
	Results	Investment	Results	Investment
	R'000	in associates R'000	R'000	in associates R'000
Media & broadcasting	(914)	2 435	-	-
Financial services	4 617	17 834	2 004	13 217
Gaming hotels & leisure	114 926	707 224	62 196	214 508
Information technology	2 784	8 868	1 938	22 486
Transport	5 432	7 733	3 182	6 384
Industrial	6 527	26 716	(2 891)	53 070
Food & beverage	17 652	132 693	-	-
Other	1 075	1 266	820	4 349
	152 099	904 769	67 249	314 014

37. RELATED PARTY TRANSACTIONS

Related parties include:

37.1 The group entered into transactions in the ordinary course of business with various partly owned subsidiaries and associated companies.

These transactions are conducted on an arms length basis and relate to funding and administrative services. Details of loans to these entities are set out in note 4 and annexure A.

37.2 A director and the secretary of the company had an interest in a company providing accounting and secretarial services to certain subsidiaries.

Fees were charged at open market rates. Subsequent to year end the group acquired this company in an arms length transaction.

37.3 The company repurchased two million shares from The Stanislaus Trust for an aggregate purchase consideration of fifty four million rand.

A former director of a major subsidiary, Gavin O'Connor, is a beneficiary of The Stanislaus Trust.

37.4 Key management compensation was paid as follows:

	2006	2005
	R'000	R'000
Salaries and other short-term employees benefits	21 299	14 030

Details of directors' remuneration are disclosed in note 35 to the financial statements.

Notes to the Annual Financial Statements

for the year ended 31 March 2006

38. CONTINGENT LIABILITIES

Group

As part of its provision of funding and investment services, Mettle Limited group companies enter into various guarantees, pledges, options and cessions as security arrangements with client companies. These should not result in any net exposure to the group.

There are existing claims of R 181 million against certain companies in the Mettle Limited group of companies. The directors of these companies are confident that the claims be successfully defended.

Company

The company has issued suretyships to Investec Bank Limited and First Rand Bank Limited for the loan facilities granted to HCI Treasury (Pty) Ltd, subsidiary company. At 31 March 2006 the total amount owing by HCI Treasury (Pty) Ltd in respect of these loan facilities amounted to R 581 million.

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

39.1 FOREIGN EXCHANGE RISK

Certain subsidiaries within the group carry out a significant portion of their inventory purchases in foreign currencies. Hedging instruments are used to reduce the risks arising from foreign currency fluctuations and are designated either to accounts receivable or accounts payable or anticipated future transactions. It is the practice of the group to take out partial cover on foreign transactions.

39.2 INTEREST RATE RISK

The group is exposed to interest rate risk as it borrows and places funds. The risk is managed by utilising floating rate borrowings and placing funds on short term deposit.

Interest rate risk also arises from the trading in and holding of floating rate debt instruments, cash and cash equivalents, as well as floating rate derivative instruments such as interest rate swaps and options.

The risks arising from treasury's exposure to interest rates include yield curve risk, basis risk, mismatch risk and volatility risk.

In order to address the daily interest rate risks, techniques such as gap analysis, duration analysis and other statistical analyses are utilised.

39.3 CREDIT RISK

Credit risk is the risk of loss due to borrower or counter-party default. Assets subject to credit risk include cash and cash equivalents, short-loans, trade and other receivables and trading instruments.

The group maintains cash, cash equivalents and short term investments with various financial institutions. The group's policy is designed to limit exposure with any one financial institution and a high credit standing is necessary for the financial institutions with which transactions are executed.

Trade and other receivables comprise a large number of customers, dispersed across different industries and geographical areas. Senior management conducts ongoing credit evaluations on the financial condition of counter parties within set credit limits. Debtors are presented net of the allowance for doubtful debts.

39.4 MARKET / PRICE RISK MANAGEMENT

Market risk arises from the group's trading activities and holding of fixed income securities, derivatives and equity instruments, and the possible adverse price movements thereof. A range of statistical models are utilised in order to address these risks and maintain an acceptable risk profile.

Risk limits are set taking into account the risk characteristics of the instruments and markets, the average risk exposure, volatility, maximum potential changes over a specific period in the underlying price determinants, level of reserves and the experience and qualification of the dealers.

39.5 LIQUIDITY RISK

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources and unutilised borrowing facilities are maintained.

39.6 LEGAL RISK MANAGEMENT

Legal risk includes the risk of non-compliance with applicable legal and regulatory requirements and the risk that a counterparty's performance obligation will be unenforceable. Risk management procedures ensure compliance with applicable statutory and regulatory requirements.

Notes to the Annual Financial Statements

for the year ended 31 March 2006

39.7 HEDGES OF FOREIGN EXCHANGE RISKS

Outstanding hedges as at 31 March 2006 for all currencies, by nature are as follows:

(In Rands, translated using exchange rates as of 31 March 2006)

Instruments that hedge operating transactions:

-Forward sales contracts (total Rand value)

Foreign currency cash exposure

-all United States dollars

Group	
2006	2005
R'000	R'000
84 962	158 170

	US\$'000	Average rate 1\$=	Maturity
2006	13 608	R 6,24	April 2006 to March 2008
2005	20 649	R 7,66	April 2005 to March 2008

40. CHANGES IN ACCOUNTING POLICY & RECLASSIFICATION OF PRIOR YEAR FIGURES

These financial statements for the year ended 31 March 2006 are the group's first annual financial statements that comply with International Financial Reporting Standards ("IFRS"). The group has applied the provisions of the 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 had elected to utilise:

- Financial instruments previously designated as available for sale were redesignated as financial assets 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 liabilities, which had previously been set off, have now been disclosed separately to comply with this standard.
- IAS 17 - Leases. Operating leases with fixed escalation clauses are now accounted for on a straight-line basis over the duration of the lease.

	2005 R'000
Reconciliation of group profit as previously reported to group profit as restated in these financial statements:	
Profit attributable to equity holders of the parent as previously reported	622 664
<i>Effects of the adoption of IFRS</i>	
Share based payments	(1 476)
IFRS adjustments by associate company	(12 903)
<i>Other restatements</i>	
Depreciation	461
Straight-lining of operating lease payments	(1 570)
Changes effected by associate company	(1 890)
Profit attributable to equity holders of the parent as restated	<u>605 286</u>
Reconciliation of group equity as previously reported to group equity as restated in these financial statements:	
Group equity as previously reported	1 405 415
<i>Effects of the adoption of IFRS</i>	
IFRS adjustments by associate company	(12 903)
<i>Other restatements</i>	
Depreciation	461
Straight-lining of operating lease payments	(1 570)
Changes effected by associate company	(1 890)
Group equity restated	<u>1 389 513</u>

Notes to the Annual Financial Statements

for the year ended 31 March 2006

Reclassification of prior year figures

	Reclassified in current year R'000	Prior year R'000
<i>Balance sheet</i>		
Non-current assets		
Property plant and equipment	-	865
Intangible assets	865	-
Financial assets	(5 928 846)	-
Current assets		
Financial assets	(5 526 574)	-
Capital and reserves		
Minority interest	-	149 147
Non-current liabilities		
Financial liabilities	5 987 449	-
Net financial liabilities	-	62 018
Current liabilities		
Financial liabilities	5 529 989	-
Current portion of long term loans	149 147	-
Provisions	-	28 350
Post retirement medical benefits	28 350	-
	<u>240 380</u>	<u>240 380</u>
<i>Income statement</i>		
Revenue	-	65 135
Funding interest income	663 534	-
Funding interest expense	(989 088)	-
Funding dividend income	983 940	-
Funding dividend expense	(593 251)	-
	<u>65 135</u>	<u>65 135</u>
<i>Cash flow statement</i>		
Cash flows from operating activities		
Changes in working capital - Trade and other payables	-	311 217
Cash flows from investing activities		
Investment in listed companies	-	(311 217)
	<u>-</u>	<u>-</u>

41. BUSINESS COMBINATIONS AND DISPOSALS

41.1 THE ACQUISITION OF 51% OF JOHNNIC HOLDINGS LIMITED

During the year the group increased its interest in Johnnic Holdings Limited from 20% to 51%. The group acquired effective control on 12 December 2005. The acquired business contributed revenues of R 69,4 million and profit after tax of R 4 million to the group for the period from the date of effective control to 31 March 2006.

If the acquisition had occurred on 1 April 2005 the contribution to group revenue would have been R 175 million and the contribution to profit after tax would have been R 176 million.

The goodwill is attributable to underlying investment in Tsogo Investment Holdings (Pty) Ltd.

41.2 OTHER BUSINESS COMBINATIONS AND DISPOSALS

Other business combinations and disposals are as follows:

- Acquisition of 50,01% of Mars Holdings (Pty) Ltd effective 1 September 2005
- Acquisition of a 77,5% of Yired (Pty) Ltd effective 1 October 2005
- Acquisition of a further 5% of Vukani Gaming Corporation (Pty) Ltd effective 31 March 2006
- Disposal of the group's 100% interest in Solidfeel Access Flooring (Pty) Ltd effective 1 April 2005

The acquired businesses contributed revenues of R 82,7 million and profit after tax of R 13,6 million to the group for the period from the dates of effective control to 31 March 2006.

If the acquisitions had occurred on 1 April 2005 the contribution to group revenue would have been R 195,9 million and the contribution to profit after tax would have been R 31,8 million.

The goodwill is attributable to the underlying business units in each on the investees acquired.

Notes to the Annual Financial Statements

for the year ended 31 March 2006

41.3 DETAILS OF THE NET ASSETS ACQUIRED AND GOODWILL AT ACQUISITION ON BUSINESS COMBINATIONS

	Johnnic Holdings R'000	Other combinations R'000	Total R'000
Fair value of net assets acquired	667 488	82 773	750 261
Carrying value of investment at date that it became a subsidiary	-	(9 179)	(9 179)
Pre effective date income	(34 904)	-	(34 904)
Purchase consideration settled by issue of shares	(126 945)	-	(126 945)
Purchase consideration settled by cash per cash flow statement	505 639	73 594	579 233
Cash and cash equivalents in subsidiary acquired	(746 600)	(29 894)	(776 494)
Cash outflow / (inflow) on acquisition	(240 961)	43 700	(197 261)

The assets and liabilities arising from the acquisition are as follows:

Cash and cash equivalents	746 600	29 894	776 494
Property plant and equipment	175 200	14 923	190 123
Investment properties	129 000	-	129 000
Intangible assets	-	62	62
Goodwill and negative goodwill	22 242	51 473	73 715
Long term receivables	-	4 507	4 507
Inventories	-	7 371	7 371
Deferred tax asset	22 000	683	22 683
Investments	254 000	-	254 000
Trade receivables	47 000	40 711	87 711
Operating lease equalisation liability	(22 300)	-	(22 300)
Borrowings	(3 000)	(22 944)	(25 944)
Trade payables	(60 800)	(14 738)	(75 538)
Taxation payable	-	(3 845)	(3 845)
Provisions	(1 200)	(9 615)	(10 815)
Net assets	1 308 742	98 482	1 407 224
Minority interest	(641 254)	(15 709)	(656 963)
Net assets acquired	667 488	82 773	750 261

41.4 DETAILS OF THE NET ASSETS DISPOSED OF

	Solidfeel Access Flooring R'000
Fair value of net liabilities disposed of	4 232
Surplus on disposal	(4 232)
Proceeds and cashflow on disposal	-
The assets and liabilities arising from the acquisition are as follows:	
Cash and cash equivalents	(233)
Property plant and equipment	(7 656)
Inventories	(6 771)
Trade receivables	(3 147)
Borrowings	20 060
Trade payables	1 979
Net liabilities disposed of	4 232