ANNUAL *Report* | 2005

HCI

HCI
Hosken

Hosken Consolidated Investments Limited

ANNUAL *Report* 2005

Directors

Marcel Jonathan Anthony Golding (Chairman)
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Darters Road, Gardens
Cape Town, 8001

John Anthony Copelyn (Chief Executive Officer)
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Velaphi Elias Mphande (Executive Director)
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Woodstock, 7925

Jabulani Geffrey Ngcobo *
Suite 624 Overport Towers
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Durban, 4001

Yunis Shaik*
52 Troon Road
Greenside, 2193

* Non-executive

Website Address

www.hci.co.za

Share Code

HCI ISIN: ZAE000003257

Company secretary and registered office

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Auditors

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Registration number 1994/001166/21
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Bankers

First National Bank of Southern Africa Limited
Investec Bank Limited

Sponsor

Investec Bank Limited
100 Grayston Drive
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Transfer secretaries

Computershare Investor Services Limited
8th Floor
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Johannesburg, 2001

P O Box 1053
Johannesburg, 2000

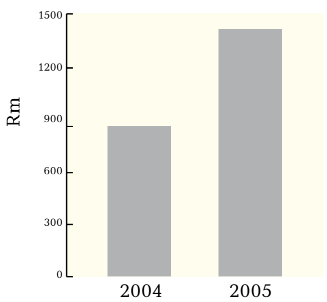
Company registration number

1973/007111/06

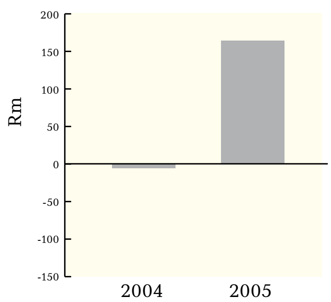
FINANCIAL HIGHLIGHTS FOR THE YEAR

			2005	2004
Adjusted headline earnings		- Rm	**215**	3
	- per share	- cents	**204**	3
Dividend per share		- cents	**95**	–
Net asset carrying value per share		- cents	**1191**	756
Share price	- high	- cents	**2910**	360
	- low	- cents	**900**	330
	- at year end	- cents	**2900**	350

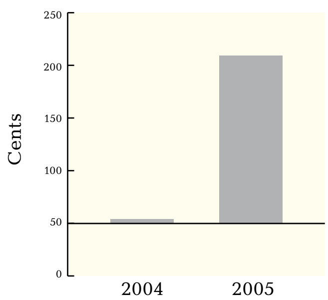
REVENUE



TRADING PROFIT



ADJUSTED HEADLINE EARNINGS PER SHARE

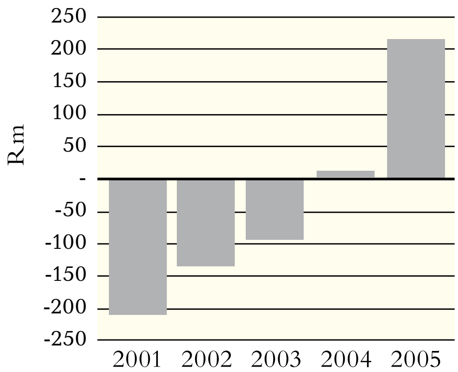


FIVE YEAR REVIEW

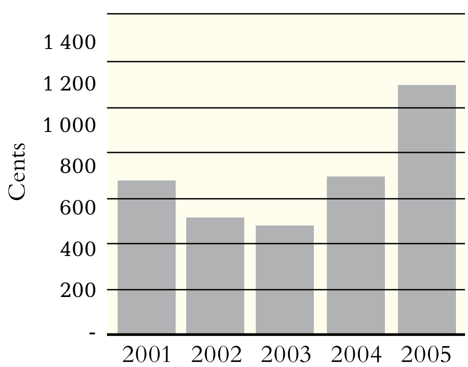
	2005 R'000	2004 R'000	2003 R'000	2002 R'000	2001 R'000
Revenue	**1 413 422**	862 598	508 559	390 266	258 318
Trading profit	**163 852**	(5 279)	(121 789)	(341 221)	(312 727)
Headline earnings	**215 134** *	2 979 *	(98 292)	(142 788)	(209 399)
Net asset carrying value per share -cents	**1 191**	756	521	558	735
Operating cash flow	**468 219**	298 423	(262 174)	(395 875)	(28 948)
Shares in issue - average ('000)	**105 704**	100 581	306 031	375 294	381 724
- at year end ('000)	**117 997**	103 022	107 802	367 530	389 588

* Adjusted headline earnings for 2004 and 2005

HEADLINE EARNINGS



NET ASSET CARRYING VALUE PER SHARE



EXECUTIVE

Marcel Jonathan Anthony Golding (45)

B.A. Hons.

Executive Chairman

Marcel joined HCI as chairman in 1997. Prior to this he was a member of parliament and deputy general secretary of the National Union of Mineworkers. He is also chief executive officer of MIDI TV (Pty) Limited and holds directorships in numerous companies.

John Anthony Copelyn (55)

B.A. (Hons), B.Proc.

Chief Executive Officer

John joined HCI as chief executive officer in 1997. He was general secretary of various unions in the clothing and textile industry from 1974 before becoming a member of parliament in 1994. He holds various directorships and is non-executive chairman of MIDI TV (Pty) Limited and Mettle Limited.

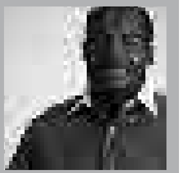
Velaphi Elias Mphande (48)

Elec. Eng. (dip)

Executive Director

Elias was marketing manager of Viamax Fleet Solutions (Pty) Limited. He was appointed to the board of HCI as a non-executive director in January 1997. With effect from 1 October 2004 he became an executive director of HCI. He is Chairman of Golden Arrow Bus Services (Pty) Limited and holds directorships in MIDI TV (Pty) Limited and Mettle Limited.

NON-EXECUTIVE



MIMI FREDDIE MAGUGU (46)

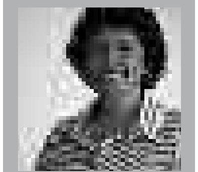
Non-Executive Director

Freddie worked for the Southern African Clothing and Textile Workers Union, reaching the position of national organising secretary. He was appointed to the board of HCI as a non-executive director in April 1998.

AMON MALENCANE NTULI (47)

Non-Executive Director

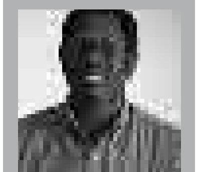
Amon was the president of the Southern African Clothing and Textile Workers Union for 10 years and has been a director of SACTWU Investment Group since inception. He is also a director of various trade union investment companies. He was appointed to the board of HCI as a non-executive director in June 2002.



VIRGINIA MARY ENGEL (55)

Non-Executive Director

Virginia is executive chairperson of the HCI Foundation. Previous to this she was national co-ordinator of the SACTWU Welfare Trust and private assistant in Madiba's office during his presidency. She holds directorships in Golden Arrow Bus Services (Pty) Ltd and Isilumko Staffing (Pty) Ltd. She was appointed to the board of HCI as a non-executive director in January 2004.



JABULANI GEFFREY NGCOBO (54)

Non-executive director

Jabu was, until recently, the regional secretary for Africa of the International Textile Garment and Leather Workers Federation. Prior to this appointment he held the position of general secretary of the South African Clothing and Textile Workers Union for 6 years. Jabu was appointed to the board of HCI as a non-executive director in October 2004.

YUNIS SHAIK (47)

B.Proc

Non-executive director

Yunis is an attorney of the High Court and presently in private practice. He is a former Deputy General Secretary of the Southern African Clothing and Textile Workers Union and a director of Workers' College and has served as the Senior Commissioner to the CCMA in KwaZulu Natal. He was appointed to the board of HCI as a non-executive director in August 2005.

"HCI *has been independently rated as fulfilling the* DTI's *broad-based black economic empowerment prescripts to an exemplary degree*"

Hosken Consolidated Investments Limited ("HCI") has continued to perform exceptionally well over the last year. Its share price has escalated dramatically on the market's appreciation of the value of the company.

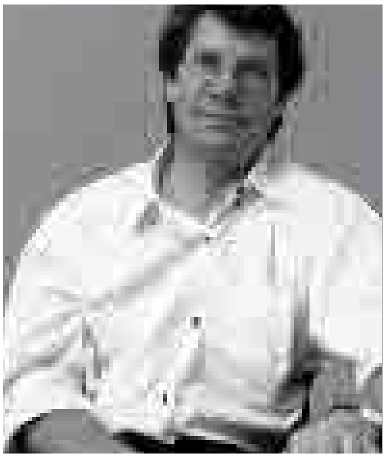
HCI's major assets, on which we reported in our last annual report, have delivered very satisfactorily. As hoped, e.tv provided strong cash flows into the group. Golden Arrow Bus Services likewise performed exceptionally well and provided the group with a second strong source of cash.

Although several complications emerged around Tsogo Sun which are commented on separately, this company continued to grow well and has succeeded in paying down its own debt very significantly. It probably remains the case for the next year or two that HCI will not see cash flowing to it from this asset. Nevertheless, the strong underlying earnings of Tsogo give every expectation that the asset will, in due course, be a very significant source of cash into HCI thereafter.

Vukani Gaming continued to pursue its gaming licences in different regions. Since our last report the company secured a Limited Payout Machine operator's licence in KwaZulu Natal and is also currently tendering in two other smaller regions, where we hope to secure licences by the end of the year. Vukani is currently rolling out about 100 machines per month in the three regions where it operates and it is our hope this rate of rollout can be maintained in the future. The business has turned its first monthly operating profit and we expect this to grow significantly next year with cash returning to HCI in the financial year 2008.

Subsequent to year-end the group succeeded in making four further acquisitions.

- Firstly, we acquired a 77% stake in YFM which operates a radio station in Gauteng. The station reaches an enormous, young audience in that region. It has proved to be one of the most successful stations of the new licences issued since 1998. The purchase is subject to Competition Commission clearance but this ought not to present any obstacle given that HCI disposed of all its other radio assets some time ago.
- HCI has likewise made a very significant acquisition of a 25% stake in Clover. We have an option to acquire a further 9.9% stake. This is a large company moving from a producer co-operative history of some 100 years to a commercialised corporate future. As such, HCI perceives the opportunity as essentially of a turnaround nature and we anticipate this will take some time to successfully achieve. We believe the company may require more cash from the group over the next 18 months or so but are confident our entry price will prove very lucrative for HCI once the commercialisation of the company is achieved.
- HCI has recently acquired a 50.1% stake in Syntell, a company providing electronic monitoring of traffic and traffic violations, focusing on municipal contracts. The company is profitable and we hope HCI's ownership and promotion of it with municipalities across the country will enable it to grow even more rapidly than it has.
- Last, but not least, HCI has pursued a controlling stake in Tsogo Sun Holdings Limited ("TSH") over the last year. Firstly we succeeded in reaching agreement with the Fabcos Trust to acquire an effective 19% of Tsogo Investment Holdings ("TIH") (giving us either 51% or a 60,5% effective interest therein) subject to various regulatory hurdles. Secondly, we acquired a 40% stake in Johnnic Holdings Limited ("Johnnic") which is a company listed on the Johannesburg Securities Exchange. This acquisition triggered a mandatory offer to all Johnnic



"This year has been one of the most successful in the history of HCI"

shareholders which is currently in progress. Successfully taking over Johnnic will give HCI control over some 70% of TIH or 35% of the underlying company TSH. Unfortunately the board of Johnnic has deemed our attentions as "hostile". Further, it formed an alliance with another minority in TIH to acquire control of Tsogo Sun themselves and between the two they have succeeded in providing many and varied complications to closing either the Johnnic offer or the Fabcos transaction. Nevertheless we remain confident the matter will reach a positive conclusion in the near future and we do not anticipate that either transaction will fail. The various tussles in regard to the control of Tsogo Sun have introduced the single worrying pressure within HCI, namely its debt levels are currently too high for the medium to long term. It is our intention to reduce these significantly in the coming year once the Fabcos transaction has been closed.

Mettle Limited was made a wholly owned subsidiary and has been substantially restructured over the last year. Various assets within it have been moved elsewhere in the group and are being managed directly by HCI. These include an effective 50% stake in Johnson Crane Hire, and 80% stakes in Formex, Baisch and Tylon. While these assets are smaller assets within HCI and have effectively been acquired by ring-fenced debt, in the main, they are useful contributors to HCI's bottom line and are likely to be free of such debt within the next two years. The current buoyant South African economy has helped these companies exceed their budget.

HCI has been extremely fortunate over the last 12 months to have inherited a charitable foundation of some substance. Its origin in the group arose from the Golden Arrow Bus Services acquisition where part of the purchase price was for the benefit of a foundation, the control of which fell under the board of Golden Arrow. From this useful start, the assets of the foundation were significantly expanded by management donation. The Foundation deed was amended to place its control under the board of HCI and to expand its objectives to include social and educational projects benefiting the families of employees of the group and its associates as well as poor communities across the country. It is our intention to publish the salient features of the work and accounts of the foundation in all future reports of the group. We believe the work of the HCI Foundation will significantly enhance our contribution as a shareholder of reference in our underlying investments and will make a unique difference in the way HCI's business is characterised from that of other businesses, particularly other black empowerment companies.

Of interest, the Department of Trade and Industries, has published various guidelines for the development of industry charters in promoting "Broad-based Black Economic Empowerment". These charters are becoming significant determinates of business opportunities within South Africa. We are pleased to report that, due to our substantial broad based ownership of SACTWU and its membership social welfare trust, the activities of the HCI Foundation, the demographics of our group's board of directors, its management and employee base, the contributions we have made to starting new empowered enterprises and the efforts made in providing training and opportunities for promotion in the group, HCI has been independently rated as fulfilling the DTI's prescripts to an exemplary degree.

All in all, this year has been one of the most successful in the history of HCI and it is our hope we will be able to maintain a strong level of growth in the value of the group in the coming year.

Finally we thank the board for its valued guidance over the last year and welcome Yunis Shaik to the board. We would also like to express our appreciation to our main shareholder groups for their strong support for key decisions in implementing the group's growth strategy over the last year.

MEDIA AND BROADCASTING

MIDI TV (PTY) LIMITED ("e.tv")

The Year in Review

After an initial 5 years of investment, e.tv is now firmly cash flow positive and has shown a profit for the second year in succession. South Africa's only free-to-air TV channel was launched in 1998 and has latterly reaped the benefits of both improved general economic conditions and more favorable currency markets.

Due to the general growth in the economy, with its attendant effects on consumer spending, advertising spend grew beyond expectation over the period. There was also a change in the mix of advertising with television as a medium growing relative to other platforms. These factors resulted in e.tv growing revenues strongly.

Audience share came under pressure due to competitive scheduling from the public broadcaster Audience share dropped slightly during the year but this drop has been arrested and is beginning to reverse.

Strategic Issues

The digitalisation of television, which will substantially increase the number of channels e.tv could run on its spectrum offers an interesting challenge for the business.

e.tv is also exploring the possibility of expanding its footprint into Africa and there are numerous exciting opportunities in this regard which are being pursued.

The proposed changes to the public broadcaster's license conditions should prove to be positive for e.tv and these benefits should begin to accrue in the 2008 financial year. Similarly the closing of the M-Net open window should result in significant benefits to e.tv's advertising revenue which will accrue from September 2007.

Prospects

Competition for audience share has continued with the public broadcaster increasing its competitive scheduling. e.tv has however started to regain market share particularly in the prime time news segment and with the development of new properties and franchises to counteract the present counter-scheduling trend.

Despite the competitive market, e.tv's revenue remains buoyant. The company will continue to re-invest in the business in order to ensure a solid platform for future sustainable growth.

THREE BLIND MICE COMMUNICATIONS (PTY) LIMITED ("TBM")

TBM has developed innovative technological applications for the delivery - via satellite - of large video files to individually addressable sites / display screens. TBM operates two core businesses; an advertising network (Out-of-Home TV) on which advertisers can create high-impact campaigns and deliver them instantly via satellite to over 1 000 screens delivering focused audience share (e.g. the arrival/departure screens at ACSA airports); and the operation of private TV station networks for private sector and government.

The company is currently profitable and is set to achieve high levels of growth in the next few years.

GOLDEN ARROW BUS SERVICES (PTY) LIMITED ("GABS")

The Year in Review

In July 2004, Golden Arrow Bus Services ("GABS") became a wholly owned subsidiary of HCI. This was a significant event in GABS' history and in the transformation of the bus industry. GABS could claim to have the highest empowerment shareholding amongst the large bus operators.

GABS is the sole provider of scheduled passenger bus transport in the Cape Town Metropolitan area. It has a long history, which can be traced back to 1861, of meeting the daily transport needs of its clients. In order to do so, it has built up a substantial infrastructure comprising, inter alia, 2 359 employees, 5 bus depots and currently 967 vehicles in the bus fleet.

During the financial year 2005 GABS continued to experience an overall increase in demand for its services which translated to a 10% increase in revenue as compared to the previous financial year. For the 9 months ended 31 March 2005, GABS contributed R52,282 million to HCI's attributable profits.

Strategic Issues & Prospects

The most significant strategic issue facing GABS and the passenger bus industry as a whole is the potential change in the regulatory framework governing bus subsidies. The transformation of the bus industry involves complex issues and GABS provides its input to the national debate through the South African Bus Operators Association which interacts with the National Department of Transport.

While the future playing field is still unclear, HCI's acquisition of GABS means that it should be better placed to respond to future challenges and opportunities.

Notwithstanding the changing regulatory environment, HCI has shown its confidence in the industry by approving a significant capex programme to increase and upgrade the company's bus fleet. In 2005, this amounted to placing an order for 90 new buses (at a cost of approximately R1 million per bus) and this programme is expected to continue into the foreseeable future at a rate of 50 new buses per annum.

The capex programme is designed to renew what had become an ageing bus fleet and to meet the increase in demand for the company's services. The continuation of the urbanisation of the population in the Western Cape has resulted in GABS operating at its full capacity during peak times and the extra buses are required to meet demand. In turn, the renewal of the bus fleet has resulted in higher passenger demand. The increase in passenger numbers is to some degree being offset by higher fuel prices. Nothwithstanding this, profits will grow satisfactorily in the forthcoming year.

GABS is a substantial operation and the company has engaged consultants to improve the quality of service provided and to investigate ways in which the operation could be run more efficiently. Management is confident that the changes being implemented will result in an improved passenger service with a further increase in demand in the 2006 financial year.

While GABS has historically been a focused transport provider, HCI is of the view that there is significant management expertise resident within GABS and it will be actively looking at ways to increase the company's footprint organically and by acquisition.

GAMING, HOTELS AND LEISURE

TSOGO INVESTMENT HOLDING COMPANY (PTY) LIMITED ("TIH")

TSOGO SUN GROUP

The Year in Review

Tsogo Sun Holdings ("TSH") is one of the largest hotel and gaming groups in South Africa. It was created in 2003 when SABMiller and Tsogo Investments merged their investments in Tsogo Sun Gaming and Southern Sun Hotels in the largest empowerment transaction in the South African Hospitality and Gaming industry.

Tsogo Sun Holdings is now 51% owned by Tsogo Investment Holdings with the remaining 49% owned by SABMiller, the London based beverage group.

The Tsogo Sun Group is divided into two separately focused operating companies – Tsogo Sun Gaming and Southern Sun Hotels.

Tsogo Sun Gaming owns and operates five casinos in Southern Africa, including the flagship Montecasino complex in Johannesburg and the Suncoast Entertainment World in Durban. The five casinos, all of which are located in entertainment complexes, have a total of 4 002 slot machines and 155 gaming tables.

Southern Sun Hotels has 81 hotels comprising 13 000 rooms. The hotels cover all segments of the industry from 5 star deluxe resorts to 1 star budget city centre hotels. The company operates a number of international and local brands and currently trades in six countries in addition to South Africa.

The business benefited from the general strength in the economy with the buoyant economy resulting in increased levels of disposable income benefiting both the gaming and the hotels segments.

Strategy and Prospects

Both the Gaming and Hotel operations are experiencing strong growth in turnover and profit as a consequence of the recent boom in consumer spending. The group is generating substantial free cash flow, which has been used to de-gear the business and is now available for expansion opportunities in South Africa and internationally.

It is anticipated that the strong growth experienced in recent years will continue for the foreseeable future.

HCI has increased its stake in the group during the year to give it indirect control of TSH, subject to various regulatory conditions being fulfilled. HCI also acquired approximately 20% of Johnnic Holdings Limited ("Johnnic") during the current financial year and has subsequently increased that stake to 40% triggering an offer to minorities. The Johnnic board has unfortunately deemed the offer hostile and is opposing it and HCI's other acquisitions which is delaying implementation of the transactions. HCI remains optimistic it will prevail in these matters.

VUKANI GAMING CORPORATION (PTY) LIMITED ("Vukani")

Vukani

The Year in Review

Vukani is the leading route operator in South Africa, being the only operator that is licensed in all operating provinces. Vukani has received operating licenses in Mpumalanga, the Western Cape, the Eastern Cape and most recently, Kwa-Zulu Natal. The licenses give Vukani the right to operate Limited Payout Machines ("LPMs") in each of these provinces.

The operating licenses give Vukani the right to roll out an initial 1000 machines in each of the above provinces.

At year end Vukani had over 320 machines in operation, an increase of 50% compared to the prior year. These machines were almost exclusively in Mpumalanga with the rollout in the Western Cape having just only begun.

The Company made losses in the year under review due to the initial rollout of machines. However, subsequent to year end, the business has turned its first monthly operating profit and this is expected to grow significantly next year.

Strategic Issues and Prospects

The major issue facing the business is the speed it can roll out its machine base. The profitability per machine is proving to be higher than was initially expected as the Gross Gaming Revenues ("GGRs") per machine have exceeded management's expectations.

The factors that drive GGRs are the site selection, the games on the machine and the site owner's ability to manage the gaming part of his business. It is management's view that, given the number of licensed machines in each province, there are more than enough quality sites for each of the licensed route operators such that this issue has not become overly concerning from a competitive viewpoint. The other factors driving GGR are being managed through experience gained, and training to both Vukani and site owner employees.

Vukani has embarked upon a national branding strategy whereby all sites will be branded under the "V-Slots" logo. This will ensure a uniformity amongst the sites which will be positive for both patrons and site owners.

Vukani has an installed machine base of approximately 600 machines and is rolling out close to 100 machines per month. The growth in the profitability of the business as the machines roll out is exponential. The business will be profitable for the second half of the current year with 2007 & 2008 years expected to show strong growth.

Vukani has submitted bids in the North West and Limpopo provinces. The outcomes of both bids are still pending. Bids will be made for licences in other regions, as these are made available.

INDUSTRIAL

Mettle Limited had implemented a number of leveraged buy-out transactions over the past three years. With the acquisition of 100% of Mettle these businesses were moved into HCI and after having repaid significant portions of their debt are now performing strongly.

The businesses are largely in the manufacturing sector and have benefited from the strong economic climate. Coupled to this the low interest rate environment has meant that the leverage used to perform the buy-out has proved to be less onerous than was initially expected both in the servicing of the debt and in the debt repayment.

The more significant businesses are detailed below.

JOHNSON CRANE HIRE (PTY) LIMITED ("JCH")

The buoyant economy, which requires increased industrial capacity, and government's higher infrastructure spending, enabled JCH to increase utilisation during the second half of 2004. Utilisation has increased further in 2005 with JCH currently operating at close to maximum capacity. The increased utilisation has resulted in strong operating cash flows which has allowed the debt to be paid down to manageable levels. The business is benefiting from the strong economy particularly in the construction sector and is well poised to grow even further should the mining sector restart development projects, some of which were put on hold with the strengthening of the rand.




FORMEX INDUSTRIES (PTY) LIMITED ("FORMEX")

During the year under review Formex Industries consolidated its position as a leading component supplier to the automotive industry. The management team was strengthened through the appointment of senior personnel and significant effort was put into the training of shop floor staff. Formex broadened its supply of automotive components and its exposure to the direct export market through the acquisition of Baisch Engineering during the second half of 2004. The acquisition doubled the turnover of Formex from R90 million to R180 million p.a. Approximately 25% of the current year's turnover will be direct export business denominated in foreign currency.

SUKYAE-LAND (PTY) LIMITED ("IPROP")

Iprop owns significant undeveloped mining land. Its business comprises the sale of serviced land, mainly through the rehabilitation of the mining properties which it owns. During the year significant investments were made in property development, the most notable being the development of the Lakeland Golf Estate, adjacent to the Crown Mines Golf Club. It is expected that Iprop will continue to be a net investor in property for 2005/2006 with the concomitant benefits accruing the year after.

FINANCIAL SERVICES

METTLE LIMITED ("METTLE")

During the year under review HCI acquired the remaining shares of Mettle resulting in Mettle becoming a wholly-owned subsidiary of HCI. Since the disposal of the treasury division, Mettle's core operation is once again profitable.

Two specialised finance initiatives were launched to take advantage of Mettle's unique financing skills. Mettle Motor Loans focuses on providing loans to the automotive financing market, mainly financing buyers of used vehicles. The business has developed excellent distribution channels which should provide the requisite new business volume to meet its sales budget.

Mettle Factors is a somewhat more modest business providing bridging finance to buyers, sellers and agents in the property market.

OTHER

HCI's other smaller investments inlude:

- LIMTECH BIOMETRIC SOLUTIONS (PTY) LIMITED
  provider of bio-metric access control / identification systems
- BSG GROUP (AFRICA) PTY LIMITED and IQ BUSINESS GROUP (PTY) LIMITED
  both providers of information technology consulting services
- ISILUMKO STAFFING (PTY) LIMITED
  recruitment and placement agency
- TYLON (PTY) LIMITED
  the largest manufacturer of tile adhesive and associated products in South Africa
- NOAH FINANCIAL INNOVATION (PTY) LIMITED
  Noah is a SouthAfrican based stockbroking and financial services company with an enviable track record of providing innovative, tailored execution and independent research services to the institutional market.
- JOHNSON ACCESS (PTY) LIMITED
  provides sale and rental of mobile access platforms

These businesses are currently profitable and reasonably good growth is expected in the current year.

GROUP *Structure*

at 12 September 2005

MEDIA & BROADCASTING	MIDI TV (e.tv) 63%; YIRED 77.5%*; THREE BLIND MICE COMMUNICATIONS 71.3%
TRANSPORT	GOLDEN ARROW BUS SERVICE 100%
FINANCIAL SERVICES	METTLE 100%; HJS ADVISORY SERVICES 100%; NOAH FINANCIAL INNOVATION 49%
GAMING, HOTELS & LEISURE	VUKANI GAMING CORPORATION 96%; TSOGO INVESTMENT HOLDING COMPANY 32%**; JOHNNIC HOLDINGS 39.7%*
INDUSTRIAL	JOHNSON CRANE HIRE 50%; TYLON 88%; FORMEX ENGINEERING 80%; JOHNSON ACCESS 80%
TECHNOLOGY	IQ BUSINESS GROUP 22%; BUSINESS SYSTEMS GROUP (AFRICA) 40%; SYNTELL 50.1%***; LIMTECH 58.9%
OTHER	ISILUMKO STAFFING 30.1%; SUKYAE-LAND 100%; CLOVER 25.1%***

* Acquired / holding increased subsequent to year end subject to regulatory approval

** Pending outcome of litigation and regulatory approvals, this holding will increase to either 51% or 60.5%

*** Acquired subsequent to year end

HCI is one of the few companies listed on the JSE Securities Exchange where broadly based black empowerment shareholders with substantial social responsibility initiatives have a major economic interest.

Our major shareholder, the Southern African Clothing Worker's and Textile Union ("SACTWU") and its various welfare trusts established a commerically orientated investment company solely for the purpose of developing a capital base by which it could fund its social programs.

HCI's role in providing SACTWU with the growth to fund its programs has been a major one. From this year, however, HCI will greatly extend its involvement in corporate social responsibility initiatives via the HCI Foundation. In future reports we do not intend to focus attention on the SACTWU welfare program and will simply report on the HCI Foundation's activity. This year, however, we cover both to give shareholders a broader insight into the extent of HCI's character as a Broad Based Black Economic Empowerment Company.

THE SACTWU WELFARE PROGRAMME

Since SACTWU's investment company entrenched itself as the largest shareholder in HCI, HCI's social benefit mantra has permeated the group. Essentially the commercial success of the group's investment activity enabled its major shareholder to provide a wide range of social benefits to its more than 100 000 clothing and textile union members across the country together with their families.

Over the last six years, approximately R120m of funding, has been released to SACTWU's welfare program by HCI. While some of this value was reinvested in other commercial ventures outside of HCI, the bulk thereof has been used to provide a wide variety of social benefits to the union's membership and their families. The key focus of their projects has been in the areas of education and healthcare but several other areas of contribution have been developed over time.

EDUCATION

The SACTWU Educational Programme includes all levels of education ranging from pre-school to tertiary education. Some of the primary initiatives:-

THE SACTWU EDUPEG PROJECT

Edupeg is a project that aims to improve basic numeracy at disadvantaged primary schools, by enhancing the capacity of educators at such institutions. Available in six languages, it provides a rich resource of information that pertains to South Africa's outcomes based educational system from which teachers can draw. The program focuses on improving numeracy skills in grades 1-4 through the school system.

Edupeg has been in existence for eleven years and has been owned by SACTWU for the last 6 years. SACTWU has supported more than 1 400 schools since 2001, reaching more than 1.3 million learners in the process. All schools are entitled to apply for support, regardless of whether SACTWU member's children attend the school. Since the beginning of 2002, Edupeg has provided training to 7 980 teachers at 745 schools.

MATRIC PROGRAMME

In 1998/99, SACTWU intervened to assist in addressing the low pass rate of matriculants from families of members. Its Matric Programme is aimed at assisting learners to pass Matric as the normal conclusion of their high school years. The centrepiece of the Matric Programme is the Winter School, which is held in five regions each year and covers the full range of ten subjects offered at schools. A Winter and Saturday School has also been launched to provide ongoing academic support.

The program focuses on grade-12 children of SACTWU members and provides, not only extra tuition, but also motivation to succeed and join the tertiary bursary program.

TERTIARY BURSARIES

All SACTWU members, their spouses, their children and legally adopted or fostered children qualify for a SACTWU tertiary bursary. On average, a bursary of R6 000 is allocated annually per beneficiary. There are no exclusions and bursaries are provided to all children that are eligible through the SACTWU structures. To date more than R35 million has been provided to approximately 14 100 students. The pass rate of bursary students significantly exceeds the national averages and allowed many motivated and intelligent children from families who are not able to afford tertiary education to become better qualified people.

HEALTH

In addition to education, the SACTWU Welfare Programme covers critical health issues such as HIV/AIDS as well as children's issues and domestic violence.

SACTWU PROJECTS: • Recipient of SACTWU bursary • Edupeg • Edupeg

The SACTWU HIV/AIDS Project

The challenge of HIV/AIDS in South African is enormous and is of crucial importance for SACTWU. For this reason, a comprehensive programme to combat sexually transmitted diseases and HIV/AIDS has been developed. SACTWU were the first union in the country to establish a dedicated programme to specially deal with HIV/AIDS. Since its inception in 1999 the project has matured at a rapid pace, becoming nationally and internationally recognised as the most advanced trade union initiative on HIV/AIDS.

It consists of policies and legal issues; clinical and wellness management; prevention and awareness campaigns, educational programmes, condom distribution; research monitoring and evaluation. Workplace programmes that promote awareness, prevention and care are integral parts of SACTWU's national strategy.

Apart from funding for these projects through funds released from its investment portfolio, SACTWU was the first union to negotiate a compulsory employer contribution as part of their collective bargaining agreements. This amounts to 10c per week per employee, and this contribution has now been secured in most of its collective bargaining agreements.

Other allocated projects and initiatives include:-

Shelter and Counselling for Survivors of Domestic Violence

The programme supports three community based projects that help survivors of domestic violence achieve emotional recovery, regain self esteem and acquire skills to become economically independent.

Housing

A housing loan scheme for SACTWU members is in place. Some of the features of the scheme are:

- Interest rates that are significantly below the conventional rates of commercial banks;
- Costs are minimised by focusing on the members' withdrawal benefit rather than requiring security through a mortgage;
- Additional security has been provided by the National Housing Trust together with a guarantee from SACTWU Investments so as to allow loans of a reasonable amount to buy a house.

To date, SACTWU members have obtained over R100 million in housing loans through the scheme.

Job Creation and Protection

One of the most difficult tasks in South Africa's economy is to generate jobs at a rate that can, over time, reduce the high rates of unemployment. SACTWU's job creation programme is an attempt to reduce the collapse of jobs in the textile and clothing industry by curtailing job losses. This programme is intricately linked to the Job Protection Programme which is aimed at helping to secure and maintain jobs in the fashion industry.

Sport, Recreation and Cultural

Industrial sport is an important instrument to help build the unity of the workers. For many years, the SACTWU Sports Board has added vibrancy to SACTWU by coordinating weekly industrial sporting activities. Football and netball are the main sports in which many members participate.

Provision has also been made for promoting union cultural activities. This covers music, workers' plays, recreational activities and the May Day programmes.

THE HCI FOUNDATION

Establishment

In June 2004, HCI acquired Golden Arrow Bus Services (Pty) Ltd. Some R128m of the purchase price was paid to the Golden Arrow Foundation ("GAF"), a charitable Foundation operating in the Western Cape which owned a significant stake in the bus company. The trust deed of this Foundation provided that the board of the bus company would appoint the trustees of the Foundation. In addition to the remaining trustees of the Foundation several new appointments were made from HCI board members over the last year.

From this fortunate start HCI resolved to transform GAF into a national one under the control of HCI. The capital base of the Foundation was significantly increased by a donation from management. It now has an asset capital base of some R260m.

FOUNDATION PROJECTS: • Wola Nani aids counselling centre • Habitat for Humanity • Supports art & culture • Grassroots Bus Adventure Project

The Foundation was renamed as the HCI Foundation, its trust deed was amended to give HCI the power to appoint and remove its trustees. Its objectives were amended to promoting social, educational and community development of people from historically poor communities nationally. The Foundation also seeks to assist the families of employees who are employed in the HCI group including its subsidiaries and associates.

It has established its own offices in Cape Town and has employed the services of Virginia Engel, a non-executive member of the HCI board, as its full time co-ordinator. She will in future have the special responsibility of reporting to the HCI board on the work of the Foundation.

HCI is now in a position to consolidate its own social responsibility program independently funded with funds equalling some 7% of its market capitalisation. We hope this will allow HCI to make a very significant contribution to efforts made by many others in addressing historic inequalities and social distress in poor communities.

The Work of the Foundation

The Foundation has established deep roots in the Western Cape over the last ten years. Its major financial contribution over the past four years has been in providing educational bursaries to students at universities, technikons and colleges. This has enabled some 850 students in Cape Town to afford tertiary education that would otherwise have been beyond their families means. The cost thereof was about R8m over the period. This scheme will now be extended nationally. In 2004/2005 R3.2m was allocated to the bursary program, an increase of 73% over 2003/2004.

Healthcare: HIV/AIDS

The Foundation focuses on all aspects of service delivery such as prevention, intervention and home based care. The aids prevention programme includes education, awareness and counselling. The intervention initiatives involve after care at homes, hospitals and hospices while home based care included outreach programmes.

Although numerous organisations benefit from the Foundations support, all projects supported by the HCI Foundation are assessed. Those with HIV/AIDS as part of their focus and have an element of HIV/AIDS built into them are more favourably considered.

One such beneficiary, Cotlands, receives support for a dedicated ward that houses 20 children who require 24 hour care and assistance.

Vulnerable sector

The vulnerable sector is a sector that does not generally benefit from the corporate donor community which means that this sector suffers from a severe shortage of funding which leads to the disabled being even more marginalised. The Foundation attempts to ensure that many areas of vulnerability are included in their funding allocation. These include allocating significant resources to organisations focusing on working with community members who are physically or intellectually challenged or who have visual or hearing impairments.

A very creative project organizing excursions has been developed with the assistance of Golden Arrow Buses.

During the past year an amount of R655 000 was allocated to bus subsidy projects. These are educational programmes and require the use of buses on a regular basis in order to make their activities more effective. For these purposes an allocation of buses is made available in lieu of financial assistance. One such beneficiary, The Grassroots Bus Adventure Project recently achieved their target of transporting over one million pre-school children from the Cape Flats on educational excursions. Other initiatives include outings for senior citizens of COSATU and other numerous community programmes.

Transport Museum

The HCI Foundation has undertaken an initiative towards the establishment of a Cape Town Public Transport Museum. It is still early days but in doing research in the road transport section, collecting a few artefacts and a large collection of photographs as well as stories of workers in the bus transport industry, we have started to organise public events that portray the story of Cape Town's Public Transport from 1801. Other stakeholders in the transport sector have responded positively to partnering the project so that it covers all modes of public transport. The end result of this project will be a great asset for the City of Cape Town and South Africa. It is the type of project that is in a sense a legacy that we wish to leave for future generations to awaken in civil society a deep sense of commitment for a safe, reliable and dignified public transport system of a world class standard.

FOUNDATION PROJECTS: • Western Province Sports Association for the Disabled • Women in leadership - cooking classes • Woodside Sanctuary - occupational therapy for mentally and physically disabled

SACTWU PROJECTS:	4 & 14 Spring queen competition 13. Dr Mguni - bursary scheme's first doctor
FOUNDATION PROJECTS:	1. Artscape ballet project 2. Donation of computers to Mitchell's Plain Primary School
	3. Education alliance-sponsorship of stationery and equipment
	5. Bus donated to Nozukile pre-primary school 6 & 12. Toy run 7. Job creation - sewing classes
	11. Grassroots project - 1 million children bussed to educational events
SUBSIDIARY PROJECTS:	9. Y DJ's raising money for "Women Against Abuse Initiative"
	10. Tsogo Sun Holdings – outing to Moscow Circus

ANALYSIS OF SHAREHOLDERS

Listed below is an analysis of shareholdings extracted from the register of ordinary shareholders at 31 March 2005.

	Number of shareholders	% of total	Number of shares '000	% of total
1 - 1 000 shares	438	63,6	149	0,2
1 001 - 5 000 shares	135	19,6	345	0,3
5 001 - 10 000 shares	32	4,7	241	0,2
100 001 - 1 000 000 shares	42	6,1	1 477	1,2
Over - 1 000 000 shares	41	6,0	117 260	98,1
	688	100,0	119 472	100,0

Type of shareholder	Number of shareholders	% of current shareholders	Number of shares '000	% of issued capital
Banks	5	0,7	7 374	6,2
Close corporations	11	1,6	27	–
Individuals	570	82,9	27 652	23,2
Nominees and trusts	41	6,0	22 959	19,2
Other corporations	14	2,0	40 009	33,5
Pension funds	3	0,4	273	0,2
Private companies	43	6,3	20 178	16,9
Share trust	1	0,1	1 000	0,8
	688	100,0	119 472	100,0

SHAREHOLDERS' DIARY

Financial year end	31 March
Annual general meeting	December
Reports	
- Preliminary report and dividend announcement	June
- Interim report at 30 September	December
- Annual financial statements	September

STOCK EXCHANGE PERFORMANCE

	31 March 2005
Total number of shares traded (000's)	684
Total value of shares traded (R'000)	13 079
Market price (cents per share)	
- Closing	2 900
- High	2 910
- Low	900
Market capitalisation (R'000)	3 464 680

SIGNIFICANT SHAREHOLDINGS

At 31 March 2005, insofar as HCI is aware, the following members beneficially held directly or indirectly 5% or more of the issued shares :

	2005 Percentage held	2004 Percentage held
Southern African Clothing and Textile Workers Union and associated entities	**42,1**	45,3
JA Copelyn	**13,9**	10,3
MJA Golding	**8,4**	4,2
HCI Employee Share Trust (2001)	**0,8**	7,0
	65,2	66,8

Shareholder spread	Percentage held		Number of shareholders	
	2005	2004	**2005**	2004
Public	**28,7**	26,7	**669**	737
Non-public	**71,3**	73,3	**19**	19
Controlling shareholders	**42,1**	45,3	**2**	2
Directors	**22,8**	15,0	**9**	9
Associates of directors	**5,2**	5,6	**6**	6
Share trust	**0,8**	7,0	**1**	1
Treasury shares	**0,4**	0,4	**1**	1
	100,0	100,0	**688**	756

Hosken Consolidated Investments Limited (HCI) and its subsidiaries subscribe to the Code of Corporate Practices and Conduct (the code) as set out in the second King Report on Corporate Governance. HCI believes that in all material respects it complies with the major recommendations of the code and in particular those set out below.

Board of directors

The board of directors of HCI comprises three executive and five non-executive directors. The board retains control over HCI and its subsidiaries, meeting at least quarterly, to review performance of subsidiary and associated companies and group strategy and other matters relating to the achievement of HCI's objectives. Directors are provided with full board papers to enable them to consider the issue on which they are requested to make decisions.

Executive directors have entered into three year service contracts with the company . These contracts expire between 31 March 2007 and 30 September 2007 and are renewable thereafter. These contracts have been approved by the remuneration committee and define the terms of employment of the executive directors.

The roles of the chairman and the chief executive are separated. The chairman is an executive director which is considered acceptable in relation to the company and board which has a majority of non-executive directors.

Board attendance

Director's name	June 2004	August 2004	December 2004	March 2005
M J A Golding	Yes	Yes	Yes	Yes
J A Copelyn	Yes	Yes	Yes	Yes
V M Engel	Yes	Yes	Yes	Yes
V E Mphande	Yes	Yes	Yes	Yes
M F Magugu	Yes	Yes	Yes	Yes
A M Ntuli	Yes	Yes	Yes	Yes
J G Ngcobo *	NA	NA	Yes	Yes
Y Shaik **	NA	NA	NA	NA

* Appointed 1 October 2004

** Appointed 18 August 2005

Audit committee

HCI has an audit committee which has written terms of reference setting out its scope and objectives. The members of the audit committee comprise of a majority of non-executive directors and is also chaired by a non-executive director. The external auditors have unrestricted access to this committee. The audit committee meets at least three times a year. It reviews the effectiveness of internal control in the group with reference to the findings of the external auditors.

Other areas covered include the review of important accounting issues, specific disclosures in the financial statements and a review of major audit recommendations.

Members

M F Magugu (Chairman)
V E Mphande
A M Ntuli
J A Copelyn
V M Engel

Remuneration committee

The remuneration committee for HCI and its subsidiaries comprises non-executive directors who approve remuneration and terms of employment of executive directors and senior management.

Members

A M Ntuli (Chairman)
M F Magugu
V M Engel
J G Ngcobo*

* Appointed 1 October 2004

Financial statements

The company's directors are responsible for preparing the financial statements and other information presented in reports to members in a manner that fairly presents the financial position and results of the operations and cash flow position of the HCI group.

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and are based on appropriate accounting policies which have been consistently applied except where otherwise stated and are supported by reasonable and prudent judgments and estimates. Adequate accounting records have been maintained throughout the financial year under review.

The external auditors are responsible for carrying out an independent examination of the financial statements in accordance with generally accepted auditing standards and in the manner required by the Companies Act.

After making enquiries, the directors are of the opinion that HCI and its subsidiaries will continue as going concerns for the ensuing financial year. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Internal control

HCI and its subsidiaries maintain internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for the assets of the group.

The board is responsible for identifying and monitoring key risk areas and key performance indicators. Risk management is addressed in the areas of business and operational risk, foreign exchange risk, credit risk, interest rate risk and liquidity risk.

The effectiveness of the internal controls and systems is monitored through, inter alia, the external auditors, adherence to performance standards and the aid of internal control procedures.

Nothing has come to the attention of the directors or the external auditors to indicate that any material breakdown in the functioning of the internal controls and systems has occurred during the financial year under review.

Management reporting

The company has established comprehensive management reporting disciplines which include the preparation of annual budgets by HCI and its subsidiaries. Performance relative to budget and prior years is monitored on a regular basis and reported to the board of directors.

Affirmative action

HCI and its subsidiaries are committed to providing equal opportunities to all their employees, irrespective of ethnic origin or gender.

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors of Hosken Consolidated Investments Limited are responsible for the preparation, integrity and fair presentation of the financial statements of the company and of the group and for other information contained in this annual report. The financial statements set out on pages 23 to 62 have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and include amounts based on prudent judgments and estimates by management.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the group or any company within the group will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of the company and the group.

The financial statements have been audited by the independent accounting firm, PKF (Jhb) Inc, which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during the audit were valid and appropriate.

The annual financial statements for the year ended 31 March 2005 which appear on pages 23 to 62 were approved by the board of directors on 12th September 2005 and are signed on its behalf by :

M A GOLDING
Chairman

J A COPELYN
Chief Executive

Johannesburg
12th September 2005

CERTIFICATION BY COMPANY SECRETARY

I certify that Hosken Consolidated Investments Limited has lodged with the Registrar of Companies, for the financial year ended 31 March 2005, all such returns as are required by a public company in terms of the Companies Act in South Africa and that such returns are true, correct and up to date.

T G GOVENDER
Company secretary

12th September 2005

REPORT OF THE INDEPENDENT AUDITORS

to the members of Hosken Consolidated Investments Limited

We have audited the annual financial statements and group annual financial statements of Hosken Consolidated Investments Limited set out on pages 23 to 62 for the year ended 31 March 2005. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with Statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and the group at 31 March 2005 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

PKF

PKF (JHB) INC
Registration number 1994/001166/21
Chartered Accountants (S.A.)
Registered Accountants and Auditors

Johannesburg
12th September 2005

The directors have pleasure in presenting their report and the annual financial statements of the company and the group for the year ended 31 March 2005.

Nature of business

Hosken Consolidated Investments Limited ("HCI") is an investment holding company which is listed on the JSE Securities Exchange South Africa.

Operations and results for the year

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. The directors are confident that the group will deliver satisfactory growth in the future.

Review of 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 rollout 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 27,7 7% 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% (or 29%) 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"). The group therefore currently has an effective 16,35% interest in Tsogo Sun, which will increase to 26% (or 31%) 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 39.7% and has been required by the Securities Regulation Panel to extend an offer to acquire all of the Johnnic shares that the group does not already own. Shareholders are referred to announcements made and the circular issued by the company for details of this offer.

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 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 of 100% of GABS with effect from 1 July 2004. 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 beverage sector.

Information technology

International Payment Systems (Pty) Limited ("IPS")

The group disposed of its 50% interest in IPS for an amount of R27,5 million.

Syntell (Pty) Limited

Subsequent to year end HCI acquired an effective 50.1% interest in Syntell (Pty) Ltd, a company providing electronic monitoring of traffic and traffic violations to municipalities throughout South Africa.

Accounting policies

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

With effect from 1 April 2004 the group adopted AC 501. 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, 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, 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 AC 102 - 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.

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 - per share 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.

Share capital

Details of the issued share capital and share premium are set out in note 12. 2 300 000 shares were issued for cash at R9,50 per share and 5 913 946 shares were issued to the employee share trust during the year under review.

Borrowing powers

There are no limits placed on borrowing in terms of the articles of association or current funding covenants.

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.

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.

Directorate

The names of the directors of the company in office at the date of this report are given on page 2 of this annual report.

J G Ngcobo and Y Shaik were appointed as non-executive directors on 1 October 2004 and 18 August 2005 respectively.

V E Mphande became an executive director during the year. He had served as a non-executive director since January 1997.

In terms of the company's articles of association, J G Ngcobo, Y Shaik and MF Magugu retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

Secretary

T G Govender held office throughout the period covered by this report. His business and postal address appear on page 2 of this annual report.

Special resolutions adopted by subsidiaries

The statutory information relating to special resolutions passed by subsidiaries is available from the registered office of the company.

Litigation

An application has been made to the High Court of South Africa (Witwatersrand Local Division) by Nafcoc under case number 05/7941 for an order declaring inter alia, that the transfer of 66 shares in Tsogo Investment Holdings (Pty) Ltd ("TIH") ("the disputed shares") that HCI's wholly owned subsidiary, Tangney Investments (Proprietary) Limited purchased from African Renaissance Holdings (Proprietary) Limited, is invalid for want of compliance with TIH's articles of association as read with its shareholders agreement, and directing that the disputed shares be transferred back to African Renaissance Holdings (Proprietary) Limited. These 66 shares constitute 4,4% of all the ordinary issued shares in the capital of TIH. HCI has opposed the application and opposing affidavits have been filed. The dispute has been set down for hearing on 13th September 2005.

In another matter Nafcoc has caused its attorneys to address a letter of demand to TIH demanding that TIH in turn send letters of demand to HCI subsidiaries that are shareholders in TIH. Nafcoc contends that the acquisition by HCI of the shares in the subsidiaries concerned is a breach of TIH's shareholders agreement. The TIH board resolved to seek independent legal advice on the matter and the independent legal advice was that the complaint is without substance and that TIH is not required to address demands to the HCI subsidiaries. Although this independent advice is not binding of Nafcoc, it is hoped that Nafcoc will not seek to take the matter any further. Should Nafcoc do so, the matter will be defended by the relevant HCI subsidiaries.

In addition to the above:

- Johnnic has objected to certain applications by HCI and the Fabcos Group to the Securities Regulation Panel ("the SRP") for the approval of its proposed implementation of the acquisition by HCI of 100% of Fabvest ("the Fabvest Acquisition") and has made submissions to the SRP challenging the Fabvest Acquisition; and
- HCI's applications to the various Gaming Boards for approval of the Fabvest Acquisition and the HCI group's shareholding in Johnnic have been objected to by Johnnic and Nafcoc.
- Johnnic Limited has made application to the Competition Tribunal to inderdict HCI from (further) implementing its mandatory offer to purchase all the shares in Johnnic that it does not own pending approval from the Competition Authority. HCI has opposed this application and the matter has been set down for hearing on 22nd September 2005.

HCI is opposing and resisting the various objections and legal proceedings. The sub judicae rule prohibits discourse on the merits of the various matters at this stage. An adverse outcome may affect the acquisition of shares in Johnnic, the Fabvest Acquisition and / or HCI's interests in the Tsogo Group. The quantam of the above cannot be determined at this stage.

Subsequent events

Other than as previously detailed in this report, the directors are not aware of any event or circumstance occurring between the balance sheet date and the date of this report that materially affects the results of the group or the company for the year ended 31 March 2005 or the financial position at that date.

	Notes	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
Assets					
Non-current assets		**1 677 875**	577 203	**1 158 290**	494 958
Property, plant and equipment	1	**459 705**	110 351	**-**	-
Investment properties	2	**13 729**	11 620	**-**	-
Investments	3	**776 127**	279 163	**38 606**	66 905
- Associated companies		**328 997**	225 513	**19 965**	6 817
- Listed companies		**315 578**	3 200	**1 862**	1 605
- Other		**131 552**	50 450	**16 779**	58 483
Subsidiary companies	4	**-**	-	**1 119 684**	428 053
Deferred taxation	17	**414 521**	167 582	**-**	-
Long term receivables		**13 793**	-	**-**	-
Goodwill	5	**-**	9 979	**-**	-
Negative goodwill	6	**-**	(1 492)	**-**	-
Current assets		**1 134 718**	1 743 755	**40 669**	67 131
Inventories	7	**56 484**	15 574	**-**	-
Programme rights	8	**263 536**	216 248	**-**	-
Trade and other receivables	9	**267 220**	216 950	**13 367**	24 081
Trading assets	10	**-**	889 124	**-**	-
Bank balances and deposits	11	**546 637**	404 261	**26 532**	41 594
Taxation		**841**	1 598	**770**	1 456
Total assets		**2 812 593**	2 320 958	**1 198 959**	562 089
Equity and liabilities					
Ordinary shareholders' equity		**1 405 415**	779 044	**1 182 502**	556 312
Ordinary share capital	12	**29 499**	25 755	**29 868**	27 814
Share premium	12	**534 685**	484 493	**545 630**	507 395
Non-distributable reserves	13	**-**	84 071	**-**	-
Accumulated profits		**841 231**	184 725	**607 004**	21 103
Minority interest	14	**277 059**	282 864	**-**	-
Non-current liabilities		**291 978**	106 399	**3 360**	1 124
Net financial liabilities	15	**62 018**	50 923	**-**	-
Long-term loans	16	**196 053**	38 619	**3 360**	1 124
Deferred taxation	17	**33 907**	16 857	**-**	-
Current liabilities		**838 141**	1 152 651	**13 097**	4 653
Trade and other payables	18	**662 949**	203 561	**13 097**	1 903
Trading liabilities	10	**-**	889 248	**-**	-
Bank overdrafts		**2 233**	179	**-**	-
Short term loans		**10 034**	8 080	**-**	-
Current portion of long-term loans	16	**43 503**	6 784	**-**	-
Taxation		**10 980**	7 460	**-**	-
Forward exchange contracts		**20 500**	15 791	**-**	-
Provisions	19	**87 942**	21 548	**-**	2 750
Total equity and liabilities		**2 812 593**	2 320 958	**1 198 959**	562 089

	Notes	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
Revenue		**1 413 422**	862 598	**–**	–
- Continuing operations		**1 413 422**	877 969	**–**	–
- Discontinued	21	**–**	(15 371)	**–**	–
Trading expenses	22	**(1 249 570)**	(867 877)	**(7 360)**	(5 737)
- Continuing operations		**(1 249 570)**	(850 862)	**(7 360)**	(5 737)
- Discontinued		**–**	(17 015)	**–**	–
Trading profit (loss)		**163 852**	(5 279)	**(7 360)**	(5 737)
Investment income	23	**50 627**	50 062	**160 130**	14 526
Dividends		**5 369**	2 504	**154 957**	2 960
Interest		**45 258**	47 558	**5 173**	11 566
Associates		**82 042**	23 047	**–**	–
Share of income		**82 042**	19 074	**–**	–
Amortisation of negative goodwill		**–**	3 973	**–**	–
Exceptional items	24	**138 903**	16 222	**185 397**	33 321
Negative goodwill released	25	**102 470**	31 981	**–**	–
Fair value adjustments		**5 505**	–	**–**	–
(Impairment) recoupment of impairment of goodwill and investments	26	**(9 606)**	75 000	**362 183**	851
Profit before finance costs and taxation		**533 793**	191 033	**700 350**	42 961
Preference dividends and interest payable	27	**(11 760)**	(22 621)	**(17)**	(723)
Profit before taxation		**522 033**	168 412	**700 333**	42 238
Taxation	28	**220 666**	(4 397)	**(934)**	(3 361)
Group profit		**742 699**	164 015	**699 399**	38 877
Minority interest		**120 035**	5 159	**–**	–
Profit for the year		**622 664**	158 856	**699 399**	38 877
Earnings per share (cents)	29				
- Basic		**589,06**	157,94		
- Headline		**353,23**	29,64		
- Adjusted headline		**203,52**	2,96		
Diluted earnings per share (cents)	29				
- Basic		**526,35**	141,38		
- Headline		**315,62**	26,53		
- Adjusted headline		**181,66**	2,65		

	Share Capital R'000	Share premium R'000	Non-distributable R'000	Accumulated profits R'000	Total R'000
GROUP					
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
Current translation differences	–	–	(224)	–	(224)
Transfer of fair value adjustment on realisation	–	–	(15 749)	15 749	–
Changes in holdings in subsidiaries	–	–	–	207	207
Other revaluation reserve 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 and treasury shares realised	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 adjustment 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

	Share Capital R'000	Share premium R'000	Non-distributable R'000	Total R'000
COMPANY				
Balances at 31 March 2003	27 064	497 645	(17 774)	506 935
Share capital and premium				
Shares issued	750	9 750	–	10 500
Current operations				
Profit for the year	-	–	38 877	38 877
Balances at 31 March 2004	27 814	507 395	21 103	556 312
Share capital and premium				
Shares issued	2 054	38 336	–	40 390
Share issue expenses	–	(101)	–	(101)
Current operations				
Profit for the year	–	–	699 399	699 399
Dividend paid	–	–	(113 498)	(113 498)
Balances at 31 March 2005	29 868	545 630	607 004	1 182 502

	Notes	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
Cash flows from operating activities		**468 219**	298 423	**58 165**	(23 660)
Cash generated (utilised) by operations	30.1	**129 165**	205 247	**(10 110)**	(25 839)
Investment income		**160 130**	50 062	**160 130**	14 526
Changes in working capital	30.2	**343 329**	75 845	**21 908**	(7 632)
Cash generated (utilised) by operating activities		**632 624**	331 154	**171 928**	(18 945)
Preference dividends and interest payable		**(11 760)**	(22 621)	**(17)**	(723)
Taxation paid	30.3	**(39 316)**	(9 197)	**(248)**	(3 992)
Ordinary dividend paid		**(113 329)**	–	**(113 498)**	–
Preference dividend paid		**–**	(913)	**–**	–
Cash flows from investing activities		**(675 720)**	(240 790)	**(115 752)**	154 168
Business combinations	30.4	**(257 420)**	(214 081)	**–**	–
Business disposal	30.4	**–**	13 215	**–**	–
Investment in :					
• Subsidiary companies		**–**	–	**(170 766)**	133 132
• Associated companies		**(105 253)**	(60 527)	**12 223**	(3 513)
• Listed companies		**(312 248)**	–	**–**	354
• Other		**(94 990)**	–	**42 791**	24 195
Increase in long term receivables		**(19 384)**	–	**–**	–
Proceeds on disposal of investments		**237 078**	63 330	**–**	–
Property, plant and equipment :					
• Additions		**(152 101)**	(49 636)	**–**	–
• Disposals		**28 598**	6 909	**–**	–
Cash flows from financing activities		**137 445**	(64 291)	**42 525**	(234 847)
Ordinary shares issued and treasury shares sold		**56 029**	10 500	**40 289**	10 500
Ordinary shares repurchased		**(2 093)**	–	**–**	–
Preference shares redeemed		**–**	(22 785)	**–**	–
Short term loans raised (repaid)		**1 954**	(42 095)	**–**	–
Change in minority shareholders		**(73 118)**	200 107	**–**	–
Long-term funding raised (repaid)		**154 673**	(210 018)	**2 236**	(245 347)
Cash and cash equivalents					
• Movements		**(70 056)**	(6 658)	**(15 062)**	(104 339)
• At beginning of year		**404 082**	201 492	**41 594**	145 933
• On business combinations		**210 378**	209 248	**–**	–
At end of year	30.5	**544 404**	404 082	**26 532**	41 594

This summary of the principal accounting policies of the Hosken Consolidated Investments Limited group is presented to assist with the evaluation of the annual financial statements. The financial statements of the company and the group comply with South African Statements of Generally Accepted Accounting Practice and are prepared on the historical cost basis modified by the revaluation of investment property, available-for-sale investments and financial assets and financial liabilities held-for-trading. The accounting policies have been consistently applied in all material respects except as stated below.

AC501, Accounting for Secondary Tax on Companies (STC), has been applied for the first time during the 2005 financial year. As required by the statement prior year numbers were adjusted. The effect on the income statement, balance sheet and retained income are shown in note 34.

Goodwill and negative goodwill are no longer amortised.

1. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company made up to 31 March each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

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

2. Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The carrying value of property, plant and equipment is assessed on an annual basis and written down if there is an impairment in its value.

Land and buildings (except for investment property) comprise mainly bus workshops and parking, television studios, factories and offices.

Land is not depreciated. Other items of property, plant and equipment are depreciated to their residual values on the straight line basis over their estimated economic lives as follows :

Broadcast and studio equipment and frequencies	5 years
Plant and machinery	5 to 12½ years
Buildings	10 to 50 years
Video and studio equipment	4 to 5 years
Computer equipment and software	2 to 3 years
Furniture, fittings and office equipment	5 to 6 years
Motor vehicles	5 years
Access platforms	5 years
Gaming machines	3 years
Improvements to leased premises	Lease period or useful life if shorter

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

3. Associated companies

Investments in operations, which are neither subsidiaries nor joint ventures, but in which the group has an interest and over which it has the ability to exercise significant influence, are classified as associated companies and initially recognised at cost.

The group's share of the results for the year of the associated companies is included in the consolidated income statement according to equity method. Losses are recognised only to the extent that reduces the carrying value to zero.

Attributable income or losses and movements on reserves since acquisition, less dividends received, are included in the carrying value of these investments.

Unrealised gains on transactions between the group and its associated companies are eliminated to the extent of the group's interest in the associated companies. Unrealised losses are not eliminated if the transaction provides evidence of an impairment of the asset transferred.

Where the value of the interest in an associate is, in the opinion of the directors, below the carrying value, the investment is written down to the higher of value in use and net realisable value.

4. Foreign subsidiaries

Foreign entities

The assets and liabilities in the financial statements of foreign subsidiaries, which are classified as foreign entities are translated into South African Rand at the closing rates of exchange. The related income and cash flow statements are translated at the rate on the date of the transactions. Exchange differences arising on translation are taken to a non-distributable reserve.

When a foreign entity is sold, these differences are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rates of exchange.

Integrated foreign operations

Monetary items of assets and liabilities of foreign subsidiaries classified as integrated foreign operations, are translated at closing rates, whereas non-monetary items are translated at historical rates. Income statement and cash flow items are translated at the rate on the date of the transactions. Differences arising on translation are accounted for in the income statement in the period in which they arise.

Foreign transactions

Transactions in foreign currencies are converted to South African Rand at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the closing rates of exchange. Resulting exchange differences are accounted for in the income statement in the period in which they arise.

5. Unlisted investments

Unlisted investments, not being subsidiaries, associates or joint ventures, are revalued annually to fair value by the directors based on the return for the size and nature of the investment.

6. Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

In prior years goodwill and negative goodwill were amortised on a straight line basis generally over five to ten years. The change in the treatment of goodwill has no material effect on the current year's results or balance sheet.

7. Investment properties

Investment properties are held for capital appreciation and are not occupied by the group. Investment properties are treated as a long-term investment and carried at fair value. The market value is determined by external independent valuers every third year. Changes in fair values are recorded in the income statement in the period in which they arise.

8. Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

9. Programme rights

Programme rights are stated at the contracted costs incurred in obtaining the rights to transmit the programmes, less the cost of programmes transmitted or written off during the year.

10. Impairment of asset

At each balance sheet, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. The recoverable amount of these assets is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

Impairment losses are recognised as an expense immediately, unless the relevant asset is land or buildings other than investment property carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount limited to an amount which does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

11. Finance leases

Group is the lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are recognised as assets of the group at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Leased assets are depreciated over the shorter of the lease period and the useful life of the asset.

Group is the lessor

The present value of the lease payments of assets leased out under a finance lease is recognised as a receivable. The difference between the gross and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

12. Financial instruments

Classification

The group classified its investments into the following categories: trading, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of the purchase.

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets; for the purpose of these financial statements short-term is defined as three months.

Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within twelve months from the balance sheet date, which are classified as current assets.

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale, and are included in non-current assets unless management has the express intention of holding the investment for less than twelve months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Initial recognition

Purchases and sales of investments are recognised on the trade date, which is the date that the group commits to purchase or sell the asset. Financial instruments are initially measured at cost, which includes transaction costs.

Trading investments (financial services)

A number of financial instruments are held for trading purposes including marketable securities, fixed income securities and other derivative instruments including options, futures, interest rate swaps, caps and forward rate agreements.

Fair value is determined as follows :

- Marketable bonds are generally valued at current market values on a yield-to-maturity basis. Bonds that form part of a long-term holding structure are valued at the net present value of anticipated future cash flows, at a market related yield.

- Derivative instruments are carried at market value, which is calculated by using a market related forward yield curve or quoted market values at year-end.

Realised and unrealised gains and losses arising from changes in the fair value of trading investments are included in the income statement in the period in which they arise.

Available-for-sale

Fair value is determined as follows :

- Listed equities are valued at the quoted bid price on the JSE Securities Exchange South Africa.
- Unlisted equity values are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

Realised and unrealised gains and losses arising from changes in the fair value of available-for sale investments are included in the income statement in the period in which they arise.

Held-to-maturity

Held-to-maturity investments are carried at amortised cost using the effective yield method.

Trade and other receivables

Trade receivables are initially recorded at invoice amount. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers. The carrying amount of trade and other receivables approximates fair value.

FINANCIAL LIABILITIES

Debt liabilities are recognised at the original debt less principal repayments and amortisations. The carrying amount of trade creditors approximates fair value.

OFFSETTING

Financial assets and liabilities are offset and the net amount reported in the balance sheet, when there is a legally enforceable right to set off the recognised amounts and there is an intention to realise the asset and settle the liability simultaneously.

13. Deferred tax

Deferred tax is provided using the liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for taxation purposes. Deferred tax assets are raised on unutilised credits for secondary tax on companies.

Deferred tax is calculated using taxation rates that have been enacted or substantially enacted at balance sheet date. The effect on deferred tax of any changes in taxation rates is charged to the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred tax assets are recognised to the extent that it is probable that future profits will be available against which the associated tax deductible temporary differences can be utilised.

14. Operating leases

Group is the lessee

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Group is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

15. Revenue recognition

Broadcasting

Revenue from the sale of advertising and programme sponsorships is recognised at the time commercials are flighted and over the terms of the sponsorship agreements.

SALES

Revenue comprises the invoiced value for the sale of goods and services net of value added taxation, rebates and discounts, and after eliminating sales within the group. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from rendering of services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed.

OPERATING INCOME

Operating income includes fees earned from providing services and brokerage activities, profits and losses in dealing in marketable securities and other fee income. This income is recognised when the related services are performed.

NET FINANCING INCOME

Interest earned and paid is computed at the effective rates of interest in the contracts and is brought to income or expenses on a yield-to-maturity basis.

INCOME FROM INVESTMENTS

Investment income includes unrealised and realised investment surpluses and deficits based on the difference between the market value at the beginning of the year and the market value at the end of the year, or the proceeds on disposal. Dividends are recognised when the right to receive payment is established.

16. Earnings per share

Earnings per share is calculated on the weighted average number of shares in issue and ranking for dividends in respect of the year and is based on profit attributable to ordinary shareholders. Headline earnings per share is based on profits before investment surplus or deficit, including impairment of available-for-sale investments and goodwill amortisation and impairment.

17. Cash and cash equivalents

Cash and cash equivalents comprises cash at bank, other balances with banks and other financial institutions and other liquid investments.

18. Employee benefits

PENSION OBLIGATION

Certain subsidiaries provide defined contribution funds for employees. Current contributions to these funds are charged against income when incurred.

MEDICAL AID OBLIGATION

Medical aid costs are recognised as an expense in the period during which employees render service to the group.

The cost of providing benefits by a subsidiary in respect of retirement health care under defined contribution plans is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise amortised on a straight line basis over the average period until the amended benefits become vested. The amount recognised in the balance sheet represents the present value of the defined benefit obligation.

EMPLOYEE LEAVE ENTITLEMENT

Employee entitlement to annual leave is recognised when it accrues to employees. An accrual is made for the annual leave liability at the balance sheet date.

19. Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

	Group		Company	
	2005	2004	**2005**	2004
	R'000	R'000	**R'000**	R'000
1. PROPERTY, PLANT AND EQUIPMENT				
Cost				
Broadcast and studio equipment and frequencies	**111 582**	86 999		
Land and buildings	**120 304**	37 828		
Plant and machinery	**84 817**	19 996		
Buses	**332 992**	–		
Video and studio equipment	**–**	107		
Computer equipment	**40 675**	29 987		
Furniture and fittings	**18 104**	9 507		
Leasehold improvements	**16 681**	17 245		
Motor vehicles	**21 259**	3 542		
Access platforms	**25 036**	16 988		
Gaming machines	**8 061**	2 972		
	779 511	225 171		
Accumulated depreciation				
Broadcast and studio equipment and frequencies	**65 197**	53 881		
Land and buildings	**1 617**	1 536		
Plant and machinery	**41 487**	8 086		
Buses	**128 742**	-		
Video and studio equipment	**–**	10		
Computer equipment	**32 814**	24 494		
Furniture and fittings	**12 066**	5 770		
Leasehold improvements	**14 807**	13 494		
Motor vehicles	**13 446**	2 478		
Access platforms	**8 503**	4 718		
Gaming machines	**1 127**	353		
	319 806	114 820		
Book value				
Broadcast and studio equipment and frequencies	**46 385**	33 118		
Land and buildings	**118 687**	36 292		
Plant and machinery	**43 330**	11 910		
Buses	**204 250**	–		
Video and studio equipment	**–**	97		
Computer equipment	**7 861**	5 493		
Furniture and fittings	**6 038**	3 737		
Leasehold improvements	**1 874**	3 751		
Motor vehicles	**7 813**	1 064		
Access platform	**16 533**	12 270		
Gaming machines	**6 934**	2 619		
	459 705	110 351		

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
Movements in property, plant and equipment				
Balances 31 March 2004				
Broadcast and studio equipment and frequencies	**33 118**	19 002		
Land and buildings	**36 292**	22 478		
Plant and machinery	**11 910**	–		
Video and studio equipment	**97**	7 825		
Computer equipment	**5 493**	3 385		
Furniture and fittings	**3 737**	3 505		
Leasehold improvements	**3 751**	2 089		
Motor vehicles	**1 064**	1 173		
Access platforms	**12 270**	–		
Gaming machines	**2 619**	593		
	110 351	60 050		
Additions				
Broadcast and studio equipment and frequencies	**24 583**	27 192		
Land and buildings	**1 641**	6 792		
Plant and machinery	**41 774**	212		
Buses	**45 871**	–		
Video and studio equipment	**–**	115		
Computer equipment	**4 312**	5 656		
Furniture and fittings	**4 473**	2 357		
Leasehold improvements	**9 917**	260		
Motor vehicles	**3 434**	432		
Access platforms	**11 007**	4 192		
Gaming machines	**5 089**	2 428		
	152 101	49 636		
Business combinations				
Land and buildings	**81 402**	8 530		
Plant and machinery	**1 832**	14 432		
Buses	**174 145**	–		
Video and studio equipment	**–**	(6 980)		
Computer equipment	**1 233**	4 710		
Furniture and fittings	**813**	211		
Leasehold improvements	**–**	6 990		
Motor vehicles	**6 189**	184		
Access platforms	**–**	11 309		
	265 614	39 386		
Disposals				
Plant and machinery	**(2)**	–		
Buses	**(152)**	–		
Video and studio equipment	**–**	(390)		
Computer equipment	**(70)**	(4 258)		
Furniture and fittings	**(41)**	(538)		
Leasehold improvements	**(8 121)**	(1 523)		
Motor vehicles	**(477)**	(53)		
Access platforms	**(91)**	(80)		
Gaming machines	**–**	(67)		
	(8 954)	(6 909)		

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
Depreciation				
Broadcast and studio equipment and frequencies	**11 316**	13 076		
Land and buildings	**648**	1 508		
Plant and machinery	**13 195**	2 734		
Buses	**14 603**	–		
Video and studio equipment	**97**	473		
Computer equipment	**3 107**	4 000		
Furniture and fittings	**2 944**	1 798		
Leasehold improvements	**3 673**	4 065		
Motor vehicles	**2 397**	672		
Access platforms	**6 653**	3 151		
Gaming machines	**774**	335		
	59 407	31 812		
Balances at 31 March 2005				
Broadcast and studio equipment and frequencies	**46 385**	33 118		
Land and buildings	**118 687**	36 292		
Plant and machinery	**42 319**	11 910		
Buses	**205 261**	–		
Video and studio equipment	**–**	97		
Computer equipment	**7 861**	5 493		
Furniture and fittings	**6 038**	3 737		
Leasehold improvements	**1 874**	3 751		
Motor vehicles	**7 813**	1 064		
Access platforms	**16 533**	12 270		
Gaming machines	**6 934**	2 619		
	459 705	110 351		
Land and buildings				
Head office and Johannesburg studios for e.tv	**26 231**	24 682		
Manufacturing	**7 456**	11 610		
Transport	**85 000**	–		
	118 687	36 292		

A register of land and buildings is available for inspection at the registered office of the company.

Encumbrances

Mortgages are registered over access platforms, certain plant and machinery and certain land and buildings as security for the loans detailed in note 16.

The net book value of assets encumbered is R177,9 million (2004 : R51,7 million).

	Group		Company	
	2005	2004	**2005**	2004
	R'000	R'000	**R'000**	R'000
2. INVESTMENT PROPERTIES				
At beginning of year	**11 620**	8 990	**–**	–
Fair value adjustments	**2 109**	2 630	**–**	–
At end of year	**13 729**	11 620	**–**	–

The investment properties consist of bare dominiums, which were valued by an independent valuer. Mortgages are registered on these properties. Details of investment properties are available for inspection at the registered office of the company.

3. INVESTMENTS

3.1 ASSOCIATED COMPANIES

	Group		Company	
	2005	2004	**2005**	2004
	R'000	R'000	**R'000**	R'000
Unlisted				
Africa on Air (Pty) Ltd				
50% financial interest				
Shares at net asset value on acquisition	**–**	1	**–**	–
Goodwill on acquisition	**–**	753	**–**	–
Cost	**–**	754	**–**	–
Equity accounted earnings	**–**	34 862	**–**	–
Amortisation of goodwill	**–**	(225)	**–**	–
Revaluation	**–**	109 308	**–**	–
Dividends received	**–**	(51 906)	**–**	–
	–	92 793	**–**	–
Johnson Crane Hire (Pty) Ltd				
445 shares at cost - 44,5% interest	**15 487**	–	**–**	–
Equity accounted earnings	**2 812**	–	**–**	–
Loan receivable	**4 242**	–	**–**	–
	22 541	–	**–**	–
International Payment Systems (Pty) Ltd				
6 000 shares at cost - 50% interest	**–**	2 084	**–**	2084
Loan receivable	**–**	1 733	**–**	1 733
Equity accounted earnings	**–**	6 717	**–**	–
	–	10 534	**–**	3 817
Sukyae-Land (Pty) Ltd				
425 shares at cost - 42,5% interest	**36 232**	–	**–**	–
Equity accounted earnings	**(5 703)**	–	**–**	–
	30 529	–	**–**	–

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
Tsogo Investment Holding Company Pty) Ltd				
481 (2004 : 415) shares at cost				
- 32,1% (2004 : 27,7%) interest	**152 609**	106 700	**-**	-
Equity accounted earnings	**76 882**	-	**-**	-
	229 491	106 700	**-**	-
Minor associates *	**46 436**	15 486	**19 965**	3 000
Total associated companies	**328 997**	225 513	**19 965**	6 817
Directors' valuation of associates	**1 160 506**	358 186		

3.2 Listed companies

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
Shares at market value				
Johnnic Holdings Ltd - 34 500 623 shares	**311 217**	-	**-**	-
Other *	**4 361**	3 200	**1 862**	1 605
	315 578	3 200	**1 862**	1 605

3.3 Other investments

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
The IQ Business Group (Pty) Ltd				
(now an associate)	**-**	15 559	**-**	15 559
Clover Industries Ltd				
10 248 848 cumulative preference shares	**28 162**	-	**-**	-
Move on Up 289 (Pty) Ltd				
100 cumulative preference shares	**85 213**	-	**-**	-
HCI Employee Share Trust loan	**-**	-	**7 600**	23 340
Sundry loans and investments *	**18 177**	34 891	**9 179**	19 584
Totalother investments	**131 552**	50 450	**16 779**	58 483

* A list of these investments is available for inspection at the company's registered office.

3.4 Summarised financial information of significant associates

	Johnson Crane Hire (Pty) Ltd R'000	Sukyae-Land (Pty) Ltd R'000	Tsogo Investment Holding Company (Pty) Ltd R'000
Balance sheet information			
Non-current assets	124 795	79 164	3 884 777
Property, plant and equipment	121 280	567	3 055 945
Intangible assets	–	–	590 584
Investment property	–	183	–
Land and mineral rights	–	10 006	–
Townships and developments in progress	–	73 863	–
Negative goodwill	–	(36 635)	–
Investments	–	12 849	199 848
Deferred tax	3 515	18 331	16 873
Long term receivables	–	–	21 527
Current assets	59 501	73 100	1 315 973
Inventories	–	–	14 551
Township land stock	–	21 463	–
Trade and other receivables	30 029	29 997	224 313
Taxation	39	–	2 242
Cash and cash equivalents	29 433	21 640	1 074 867
Total assets	184 296	152 264	5 200 750
Capital and reserves	41 122	35 198	1 878 882
Non-current liabilities	81 298	77 217	1 714 750
Shareholders' loans	8 408	–	–
Interest-bearing loans	72 890	–	1 661 711
Provision for environmental rehabilitation	–	67 271	–
Post retirement medical benefit obligation	–	9 946	33 457
Deferred tax	–	–	19 582
Current liabilities	61 876	39 849	1 607 118
Trade and other payables	28 964	11 266	529 772
Short term borrowings	–	–	777 212
Current portion of interest-bearing loans	32 912	–	–
Provision for liabilities and charges	–	27 364	136 656
Taxation	–	1 219	163 478
Total equity and liabilities	184 296	152 264	5 200 750
Income statement information			
Share of earnings (loss)	2 812	(5 703)	76 989

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
4. Subsidiary companies				
Shares at cost less impairment			**521 034**	92 101
Amounts owing by subsidiary companies			**598 650**	335 952
			1 119 684	428 053
Full details of subsidiary companies are provided on pages 61 and 62				
5. Goodwill				
Arising on acquisition of subsidiaries	**12 186**	12 186	**–**	–
Accumulated amortisation brought forward	**(2 207)**	–	**–**	–
Amortised during the year	**–**	(2 207)	**–**	–
Impaired	**(9 979)**	–	**–**	–
	–	9 979	**–**	–
6. Negative goodwill				
Arising on acquisition of subsidiary	**(1 597)**	(1 597)	**–**	–
Accumulated release brought forward	**105**	–	**–**	–
Released during the year	**1 492**	105	**–**	–
	–	(1 492)	**–**	–
7. Inventories				
Raw materials	**23 341**	4 396	**–**	–
Work in progress	**11 646**	3 534	**–**	–
Finished goods	**11 833**	7 726	**–**	–
Merchandise	**–**	1 545	**–**	–
Consumables and spares	**11 485**	–	**–**	–
Provision for obsolete inventory	**(1 821)**	(1 627)	**–**	–
	56 484	15 574	**–**	–
No inventory is held at net realisable value.				
8. Programme rights				
Television programmes				
• International	**239 308**	199 858	**–**	–
• Local	**24 228**	16 390	**–**	–
	263 536	216 248	**–**	–
9. Trade and other receivables				
Trade receivables	**189 785**	119 207	**–**	1 661
Other receivables	**61 597**	95 769	**13 367**	22 420
Current portion of long term receivables	**5 591**	–	**–**	–
Prepayments	**10 247**	1 974	**–**	–
	267 220	216 950	**13 367**	24 081

A cession of debtors to the value of R35.975 million (2004 : R2,232 million) is registered.

	Group		Company	
	2005	2004	**2005**	2004
	R'000	R'000	**R'000**	R'000

10. Trading assets and liabilities

Trading assets

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
Trading long positions	**-**	436 711	**-**	-
Derivative assets	**-**	5 565	**-**	-
Repo assets	**-**	446 848	**-**	-
	-	889 124	**-**	-

Repo assets refer to bond repurchase agreements. The loan agreements are recorded at the same value as the underlying asset and no sale of scrip is recorded.

Trading liabilities

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
Derivative liabilities	**-**	5 565	**-**	-
Repo liabilities	**-**	440 127	-	**-**
Other trading liabilities	**-**	443 556	**-**	-
	-	889 248	**-**	-

11. Pledged deposits

Bank deposits of R12,956 million (2004 : R22,056 million) have been pledged to support guarantees of R12,586 million (2004 : R21,946 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.

	2005 Number of shares	2004 Number of shares	2005 R'000	2004 R'000
12. ORDINARY SHARE CAPITAL				
Authorised				
Ordinary shares of 25 cents each	**450 000**	450 000	**112 500**	112 500
Issued				
In issue in company	**119 472**	111 258	**29 868**	27 814
Treasury shares held by subsidiary and employee share trust	**(1 475)**	(8 236)	**(369)**	(2 059)
	117 997	103 022	**29 499**	25 755

Details of the issued share capital and share premium and changes during 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)
	117 997	29 499	534 685
In issue at 31 March 2003	108 258	27 064	497 645
Issued to fund acquisition of HJS Advisory Services (Pty) Ltd	3 000	750	9 750
	111 258	27 814	507 395
Treasury shares held by subsidiary and employee share trust	(8 236)	(2 059)	(22 902)
	103 022	25 755	484 493

Details of options granted over shares are set out in note 31.

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

	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
13. NON-DISTRIBUTABLE RESERVES				
Revaluation surplus	**–**	84 295	**–**	–
Foreign currency translation reserve	**–**	(224)	**–**	–
	–	84 071	**–**	–

Movements are shown in the statement of changes in equity.

	Group		Company	
	2005	2004	**2005**	2004
	R'000	R'000	**R'000**	R'000

14. Minority interest

Share of equity of subsidiaries	**127 723**	132 867	**–**	–
Equity loans owing by subsidiaries to minority shareholders	**149 336**	149 997	**–**	–
	277 059	282 864	**–**	–

The loans are in proportion to shareholdings. They are interest free at present and are only repayable if loan repayments are made to all shareholders in the subsidiaries. No repayment terms have been fixed.

15. Net financial liabilities

Net financial liabilities	**62 018**	50 923	**–**	–

The net financial liabilities are the result of the set off of financial liabilities and directly linked investments. In respect of each transaction entered into, both the investment and the liability are redeemable at the same future value and date. The risks associated with these transactions have been addressed as set out in note 37.

16. Long-term loans

Secured				
Suspensive sale payable in monthly instalments of R1 842 000 inclusive of interest varying with prime.	**75 763**	-	**–**	-
Finance leases payable in monthly instalments of R456 000 (2004 : R399 000) inclusive of interest varying with prime.	**16 618**	12 228	**–**	–
Loan payable in monthly instalments of R438 000 (2004 : R173 000) inclusive of interest varying with prime.	**17 070**	23 819	**–**	–
Loan payable in monthly instalments of R307 000 inclusive of interest at 6,5%.	**12 800**	–	**–**	–
Loan secured by mortgage payable in monthly instalments of R153 000 inclusive of interest at prime.	**4 833**	5 981	**–**	–
Unsecured				
Loan bearing interest at 11%. Capital due on 15 December 2009. Interest payable quarterly in arrear	**85 000**	–	**–**	–
Loan payable in monthly instalments of R612 000 inclusive of interest at 14,66%.	**14 462**	–	**–**	–
Interest free liabilities due by 30 June 2006	**13 010**	–	**–**	–
Other	**–**	3 375	–	–
	239 556	45 403	**–**	–
Current portion	**(43 503)**	(6 784)	**–**	–
	196 053	38 619	**–**	–
Carrying value of assets encumbered as security				
Fixed property	**33 687**	24 682	**–**	–
Platforms	**16 533**	12 270	**–**	–
Buses	**90 970**	–	**–**	–
Inventory	**6 771**	–	**–**	–
Plant, equipment and vehicles	**29 973**	14 730	**–**	–
	177 934	51 682	**–**	–

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
17. DEFERRED TAXATION				
Movements in deferred taxation				
At beginning of year	**150 725**	94 823	**–**	–
Business combination	**(32 859)**	(26 072)	**–**	–
Revaluation of buses and land and buildings	**11 982**	–	**–**	–
Change in rate to 29%	**1 095**	–	**–**	–
Property, plant and equipment	**(3 193)**	–	**–**	–
Provisions and inventory	**9 005**	42 821	**–**	–
Assessed loss	**298 754**	–	**–**	–
Treasury shares revaluation	**(1 863)**	–	**–**	–
Application of AC 501	**(53 032)**	39 153	**–**	–
At end of year	**380 614**	150 725	**–**	–
Analysis of deferred taxation				
Fair value adjustment of investments	**(2 984)**	1 100	**–**	–
Unrealised (losses) gains	**(6 702)**	8 233	**–**	–
Application of AC 501	**114 550**	133 868	**–**	–
Assessed losses	**298 754**	–	–	–
Foreign differences and other	**(3 795)**	3 496	**–**	–
Revaluation of buses	**(20 705)**	–	**–**	–
Accelerated depreciation for tax purposes	**(21 087)**	4 028	**–**	–
Provisions and inventory	**22 583**	–	**–**	–
	380 614	150 725	**–**	–
Composition of deferred taxation				
Deferred taxation assets	**414 521**	167 582	**–**	–
Deferred taxation liabilities	**(33 907)**	(16 857)	**–**	
	380 614	150 725	**–**	–

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
18. TRADE AND OTHER PAYABLES				
Trade payables	**324 499**	183 141	**13 097**	1 903
Other payables	**338 450**	20 420	**–**	–
	662 949	203 561	**13 097**	1 903

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
19. PROVISIONS				
Due in terms of guarantees to loan financiers of group companies				
Balance at beginning of year	**2 750**	22 852	**2 750**	22 852
Raised during year	**–**	2 750	**–**	2 750
Adjustment for exchange difference	**–**	(885)	**–**	(885)
Utilised	**(2 750)**	(21 967)	**(2 750)**	(21 967)
	–	2 750	–	2 750
Leave pay				
Balance at beginning of year	**5 400**	3 050	**–**	–
On acquisition of subsidiary	**7 909**	1 183	**–**	–
Raised during the year	**2 041**	4 217	**–**	–
Utilised	**(3 864)**	(3 050)	**–**	–
	11 486	5 400	**–**	–

	Group		Company	
	2005	2004	**2005**	2004
	R'000	R'000	**R'000**	R'000
Staff bonuses				
Balance at beginning of year	**10 039**	–	**–**	–
On acquisition of subsidiary	**4 281**	21 779	**–**	–
Raised during year	**14 202**	–	**–**	–
Utilised	**(17 045)**	(11 740)	**–**	–
	11 477	10 039	**–**	–
Post retirement medical benefits				
On acquisition of subsidiary	**27 315**	–	**–**	–
Raised during year	**1 035**	–	**–**	–
	28 350	–	**–**	–
Repurchase of service				
On acquisition of subsidiary	**18 537**	–	**–**	–
Raised during year	**1 472**	–	**–**	–
Transferred to assets	**6 806**	–	**–**	–
	26 815	–	**–**	–
Third party claims				
On acquisition of subsidiary	**7 250**	–	**–**	–
Utilised	**(755)**	–	**–**	–
	6 495	–	**–**	–
Other				
Balance at beginning of year	**3 359**	–	**–**	–
On acquisition of subsidiary	**345**	1 980	**–**	–
Raised during year	**100**	1 379	**–**	–
Utilised	**(485)**	–	**–**	–
	3 319	3 359	**–**	–
Total provisions	**87 942**	21 548	**–**	2750

Post-retirement medical aid benefits

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

The subsidiary also makes monthly contributions to certain medical aid funds.

The calculation of accrued service liability in respect of post-retirement health care was performed by independent actuaries at 31 March 2005.

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 are a discount rate of 9%, normal retirement age: 65 years and continuation of membership at retirement : 55%. An expected long-term medical aid subsidy increase rate of 7% has been used for medical aid's share and a rate of 5,5% has been used for the medical benefit fund.

	2005	2004
	R'000	R'000
Opening balance	**27 315**	–
Current service cost	**498**	–
Interest cost	**1 956**	–
Expected employer benefit payments	**(1 419)**	–
	28 350	–

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.

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
20. COMMITMENTS				
Operating leases				
Future leasing charges for premises				
Payable within one year	**5 080**	7 149	**-**	-
Payable one to five years	**6 991**	15 559	**-**	-
	12 071	22 708	**-**	-
21. TREASURY OPERATIONS (DISCONTINUED)				
Trading losses of treasury operations	**-**	(15 371)	**-**	-
Mettle sold the majority of its trading book in December 2003. The trading losses recognised are at the market value on the day of sale, as well as subsequent losses on the remaining trading assets and liabilities.				
The discontinuation resulted in the following losses :				
Trading system expensed	**-**	(3 430)	**-**	-
Loan impairment	**-**	(10 401)	**-**	-
Total loss on discontinuations (note 24)	**-**	(13 831)	**-**	-
Operating loss attributable to discontinued operations	**-**	(35 813)	**-**	-
Refer note 10 for trading assets and liabilities.				
22. TRADING EXPENSES				
Expenses include the following :				
Auditors' remuneration				
• Audit fees - current year	**4 477**	2 644	**563**	299
• Prior year	**135**	277	**-**	-
• Other services	**1 540**	884	**2**	-
Cost of sales	**736 047**	495 903	**-**	-
Consultancy fees	**10 128**	7 585	**-**	-
Depreciation	**59 947**	31 812	**-**	-
Foreign exchange loss / (gain)	**8 806**	12 172	**-**	(885)
Goodwill				
• Amortisation	**-**	(1 871)	**-**	-
• Impairment	**9 979**	-	**-**	-
Listing fees	**224**	60	224	60
Operating lease charges				
• Premises	**5 567**	23 956	**-**	-
• Plant and equipment	**1 009**	1 724	**-**	-
(Profit) / loss on disposal of fixed assets	**(24 869)**	112	**-**	-
Staff costs	**196 467**	133 868	**-**	-
Average number of employees 3126 (2004 : 830).				

	Group		Company	
	2005	2004	**2005**	2004
	R'000	R'000	**R'000**	R'000

23. Investment income

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
Dividends				
Listed investments	**1 511**	2 249	**498**	–
Unlisted investments	**3 858**	255	**–**	–
Associates	**–**	–	**800**	1 711
Subsidiaries	**–**	–	**153 660**	1 249
	5 369	2 504	**154 958**	2 960
Interest				
Investments	**319**	327	**–**	327
Bank	**34 470**	47 231	**–**	10 553
Other	**10 469**	–	**–**	–
Subsidiaries	**–**	–	**5173**	686
	45 258	47 558	**5173**	11 566

24. Exceptional items

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
On realisation of investments	**138 903**	25 122	**185 397**	33 321
Loss on discontinued operations	**–**	(13 831)	**–**	–
Recovery of impairment of strategic investment	**–**	4 931	**–**	–
	138 903	16 222	**185 397**	33 321

25. Negative goodwill released

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
Negative goodwill in excess of the fair value of acquired assets	**102 470**	31 981	**–**	–

26. Recoupment of impairment of goodwill and investments

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
Recoupment on realisation of investments	**–**	76 251	**–**	–
Fair value adjustment of listed investments	**–**	851	**255**	851
Amortisation of goodwill of subsidiaries	**–**	(2 102)	**–**	–
Impairment of goodwill	**(9 606)**	–	**–**	–
Decrease in impairment of investment in subsidiaries	**–**	–	**361 928**	–
	(9 606)	75 000	**362 183**	851

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
27. PREFERENCE DIVIDENDS AND INTEREST PAYABLE				
Preference dividends	**-**	1 872	**-**	-
Interest	**11 760**	20 749	**17**	723
	11 760	22 621	**17**	723

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
28. TAXATION				
South African taxes				
Current normal tax	**29 674**	7 833	**910**	3 361
Prior year normal tax	**(1)**	-	**-**	-
Deferred normal tax	**(305 348)**	41 771	**24**	-
Deferred tax rate change	**(1 095)**	-	**-**	-
Capital gains tax	**474**	1 338	**-**	-
Secondary tax on companies	**495**	(5 605)	**-**	-
Application of AC501	**53 032**	(39 152)	**-**	-
Foreign taxes				
Current normal tax	**1 707**	201	**-**	-
Deferred normal tax	**396**	(1 989)	**-**	-
	(220 666)	4 397	**934**	3 361
Continuing operations	**(220 666)**	(31 416)	**934**	3 361
Discontinued operations	**-**	35 813	**-**	-
	(220 666)	4 397	**934**	3 361

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 taxlosses can be utilised.

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
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	**460 000**	1 010 000	**-**	-
• Capital gains tax	**420 000**	420 000	**-**	-
Tax relief at current rates at				
• Normal tax	**138 000**	303 000	**-**	-
• Capital gains tax	**63 000**	63 000	**-**	-

	Group 2005 %	Group 2004 %	Company 2005 %	Company 2004 %
Reconciliation of tax rate				
Normal tax rate	**30,0**	30,0	**30,0**	30,0
Deferred tax not raised on losses	**19,5**	30,8	**-**	-
Capital losses and non-deductible expenses	**0,3**	6,2	**0,4**	-
Non-taxable income including share of associates income	**(32,1)**	(74,4)	**(13,7)**	(21,8)
(Raising) reversal of deferred tax asset	**(49,9)**	34,9	**-**	-
Differential tax rates - capital gains and foreign	**(7,4)**	1,8	**(16,4)**	-
Secondary tax on companies	**(3,3)**	(3,3)	**-**	-
Effective rate	**(42,9)**	26,0	**0,3**	8,2

	Group		Company	
	2005	2004	**2005**	2004
	R'000	R'000	**R'000**	R'000

29. Earnings per share

Earnings per share is based on the weighted average number of 105 703 554 ordinary shares in issue (2004 : 100 581 194).

Diluted earnings per share is based on the weighted average number of 118 299 169 ordinary shares in issue (2004 : 112 361 193)

In order to eliminate the distortion as a result of the recognition this year of deferred tax asset arising in respect of losses and the application of AC 501 in respect of STC credits, adjusted headline profit and earnings per share are also disclosed as well as on a diluted basis.

Reconciliation of headline earnings:

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
Profit attributable to ordinary shareholders	**622 664**	158 856		
Exceptional items	**(134 456)**	(19 041)		
Amortisation of goodwill	**-**	(2 328)		
(Profit) loss on sale of property, plant and equipment	**(24 869)**	112		
Impairment of assets	**1 740**	-		
Negative goodwill released	**(102 470)**	(31 981)		
Impairment (recoupment) of goodwill and investments	**12 874**	(74 188)		
Fair value adjustment of investment properties	**(2 109)**	(1 617)		
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		

Amounts are stated net of minority interest.

30. Notes to cash flow statement

30.1 Cash generated by operations

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
Profit before taxation	**522 033**	168 412	**700 333**	42 238
Depreciation	**59 407**	31 812	**-**	-
Profit on disposal of property, plant and equipment	**(23 129)**	-	**-**	-
Amortisation and impairment of goodwill and investments	**3 268**	(1 871)	**(361 785)**	(851)
Equity accounted profits retained	**(81 535)**	(19 074)	**-**	-
Negative goodwill released on acquisition of interest in subsidiaries	**(102 470)**	-	**-**	-
Forex translation	**224**	(224)	**-**	-
Fair value adjustments	**(5 505)**	(2 630)	**-**	-
Investment income				
- Dividends	**(154 958)**	(2 504)	**(154 957)**	(2 960)
- Interest	**(5 172)**	(47 558)	**(5 173)**	(11 566)
Preference dividends and interest payable	**11 760**	22 621	**17**	723
Trading activities	**(124)**	77 894	**-**	-
Trading assets	**889 124**	2 785 018	**-**	-
Trading liabilities	**(889 248)**	(2 707 124)	**-**	-
Investment surplus	**(123 426)**	(16 222)	**(185 795)**	(33 321)
Movement in provisions	**757**	(29 296)	**(2 750)**	(20 102)
Other non-cash items	**31 631**	23 887	**-**	-
Prior year minority adjustment	**(3 596)**	-	**-**	-
Cash generated (utilised) by operations	**129 165**	205 247	**(10 110)**	(25 839)

30.2 Changes in working capital (Increase) decrease

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
Inventory	**(30 084)**	(13 079)	**-**	-
Programme rights	**(47 288)**	100 515	**-**	-
Trade and other receivables	**861**	(78 686)	**10 714**	(9 291)
Prepayments	**(4 752)**	(1 804)	**-**	-
Trading securities	**-**	19 861	**-**	-
Trade and other payables	**408 788**	37 693	**11 194**	1 659
Forex contracts	**4 709**	15 791	**-**	-
Net financial liabilities	**11 095**	(4 446)	**-**	-
	343 329	75 845	**21 908**	(7 632)

	Group		Company	
	2005	2004	**2005**	2004
	R'000	R'000	**R'000**	R'000

30.3 Taxation paid

	2005 R'000	2004 R'000	**2005 R'000**	2004 R'000
Unpaid at beginning of year	**(5 862)**	(9 703)	**1 456**	825
Charged to income statement	**220 666**	(43 549)	**(934)**	(3 361)
Deferred tax movement	**(253 058)**	16 749	**–**	–
Business combinations	**(11 201)**	21 444	**–**	–
Unpaid at end of year	**10 139**	5 862	**(770)**	(1 456)
	(39 316)	(9 197)	**(248)**	(3 992)

30.4 Business combinations/disposals

	2005		2004	
	Acquisition	Disposal	**Acquisition**	Disposal
	R'000	R'000	**R'000**	R'000
At acquisition/disposal				
Property, plant and equipment	**(265 614)**	–	**(50 718)**	11 332
Investment properties	**–**	–	**(8 990)**	–
Investments	**(4 226)**	–	**(18 340)**	–
Deferred tax asset	**–**	–	**(47 037)**	–
Negative goodwill (goodwill)	**72 795**	–	**(10 589)**	–
Inventories	**(10 826)**	–	**(756)**	720
Trade and other receivables	**(40 150)**	–	**(41 458)**	6 869
Trading assets	**–**	–	**(3 674 142)**	–
Deferred tax liability	**32 859**	–	**16 416**	–
Net financial liabilities	**–**	–	**55 369**	–
Non-current liabilities including current portion	**39 480**	–	**11 356**	(1 997)
Trade and other payables	**50 600**	–	**19 010**	(4 080)
Trading liabilities	**–**	–	**3 596 372**	–
Taxation liability	**12 403**	–	**9 177**	–
Provisions	**65 637**	–	**24 942**	–
	(47 042)	–	**(119 388)**	12 844
Bank at date of acquisition/disposal	**(210 378)**	–	**(209 619)**	371
	(257 420)	–	**(329 007)**	13 215
Carrying value of investment in associate at date it became a subsidiary	**–**	–	**114 926**	–
	(257 420)	–	**(214 081)**	13 215

	Group		Company	
	2005	2004	**2005**	2004
	R'000	R'000	**R'000**	R'000

30.5 Cash and cash equivalents

	2005 R'000	2004 R'000	**2005 R'000**	2004 R'000
Bank balances and deposits	**546 637**	404 261	**26 532**	41 594
Bank overdraft and loans	**(2 233)**	(179)	**–**	–
	544 404	404 082	**26 532**	41 594

31. HCI EMPLOYEE SHARE OPTION SCHEME

In terms of the share 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 date 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 seven years. Participants have ten 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 :

	2005 Number of shares	2004 Number of shares
Balance at the beginning of the year	**11 780 000**	12 693 940
Options granted and exercised	**3 424 474**	–
Options vested and paid for	**(11 780 000)**	(913 940)
Balance at the end of the year	**3 424 474**	11 780 000

The options outstanding at 31 March 2005 become unconditional between the following dates :

	Number of share options	Exercise price R
1 September 2004 and 31 August 2005	2 356 118	8,55
1 September 2005 and 31 August 2007	356 118	8,55
1 September 2007 and 31 August 2009	356 119	8,55
1 September 2009 and 31 August 2011	356 119	8,55

Options granted to executive directors

J A Copelyn

	2005 Number of shares	**2005 Weighted of shares exercise price R**	2004 Number of shares	2004 Weighted average exercise price R
Balance at the beginning of the year	**4 890 000**	**2,71**	5 346 970	2,61
Options granted and exercised	**–**	**–**	-	-
Options vested and paid for	**(4 890 000)**	**2,71**	(456 970)	1,52
Balance at the end of the year	**–**	**–**	4 890 000	2,71

M J A Golding

	2005 Number of shares	**2005 Weighted of shares exercise price R**	2004 Number of shares	2004 Weighted average exercise price R
Balance at the beginning of the year	**4 890 000**	**2,71**	5 346 970	2,61
Options granted and exercised	-	**–**	-	-
Options vested and paid for	**(4 890 000)**	**2,71**	(456 970)	1,52
Balance at the end of the year	–	–	4 890 000	2,71

VE Mphande

	2005 Number of shares	**2005 Weighted of shares exercise price R**	2004 Number of shares	2004 Weighted average exercise price R
Balance at the beginning of the year	**–**	**–**	-	-
Options granted and exercised	**1 000 000**	**8,55**	-	-
Options vested and paid for	**–**	**–**	–	–
Balance at the end of the year	**1 000 000**	**8,55**	–	–

32. Directors' shareholdings and emoluments

Directors' shareholdings

At 31 March 2005 the directors held 26 637 693 (2004 : 16 168 914) shares, constituting 22,3% (2004 : 14,5%) of the shares in issue. The beneficial direct and indirect interests of the directors in the issued share capital of the company, were as follows:

	Direct beneficial		Indirect beneficial	
31 March 2005	Number	Percentage holding %	Number	Percentage holding %
Executive directors				
J A Copelyn	8 327 709	7,0	8 269 809	6,9
M J A Golding	7 541 109	6,3	2 480 733	2,1
V E Mphande	–	–	–	–
Non-executive directors				
V M Engel	–	–	–	–
M F Magugu	–	–	–	–
J G Ngcobo	14 833	–	–	–
A M Ntuli	3 500	–	–	–
Total	15 887 151	13,3	10 750 542	9,00

	Direct beneficial		Indirect beneficial	
31 March 2004	Number	Percentage holding %	Number	Percentage holding %
Executive directors				
J A Copelyn	3 220 736	2,9	8 269 809	7,4
M J A Golding	2 194 136	2,0	2 480 733	2,2
Non-executive directors				
V M Engel	–	–	–	–
M F Magugu	–	–	–	–
V E Mphande	–	–	–	–
A M Ntuli	3 500	–	–	–
Total	5 418 372	4,9	10 750 542	9,6

None of the directors have any non-beneficial interest in the share capital of the company, except for J A Copelyn who is non-beneficially indirectly interested in 549 638 (2004 : 549 638) shares (0,5% of the share in issue).

On 7 July 2005 MJA Golding and JA Copelyn donated the following ordinary shares in the share capital of HCI to the HCI Foundation, incorporating the Golden Arrow Foundation and the Wheatfield Estate Foundation:

	Direct Beneficial	Indirect Beneficial
MJA Golding	–	1 000 000
JA Copelyn	2 777 778	1 222 222

There were no other material changes in these shareholdings subsequent to 31 March 2005.

Directors' emoluments

The emoluments paid to the directors were as follows :

	Year ended 31 March 2005				Year ended 31 March 2004			
	Board fees	Salary	Bonus	Total	Board fees	Salary	Bonus	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Executive directors								
J A Copelyn	**–**	**1 748**	**2 194**	**3 942**	–	1 611	1 812	3 423
M J A Golding	**–**	**1 748**	**2 194**	**3 942**	–	1 611	1 812	3 423
V E Mphande	**50**	**400**	**–**	**450**	100	–	–	100
Non-executive directors								
V M Engel	**160**	**–**	**–**	**160**	25	–	–	25
M F Magugu	**100**	**–**	**–**	**100**	100	–	–	100
J C Ngcobo	**50**	**–**	**–**	**50**	–	–	–	–
A M Ntuli	**100**	**–**	**–**	**100**	100	–	–	100
	460	**3 896**	**4 388**	**8 744**	325	3 222	3 624	7 171

33. Segment report

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

	Revenues	Results	Assets	Liabilities	Fixed asset additions	Depreciation
2005	R'000	R'000	R'000	R'000	R'000	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.

2004						
Media and broadcasting	520 403	32 279	634 535	156 836	37 004	19 884
Financial services						
-continuing operation	132 911	44 064	237 901	73 698	283	3 626
-discontinued operations	(15 371)	(50 436)	889 123	889 248	–	–
Gaming	16 446	(15 163)	123 269	4 405	6 874	1 449
Information technology	–	3 820	31 186	–	–	–
Industrial	207 448	2 796	86 689	85 666	5 347	6 804
Other	761	146 655	318 255	49 197	128	49
	862 598	164 015	2 320 958	1 259 050	49 636	31 812

Taxation is included in Other as follows: Assets R167,5 million, Liabilities R24,3 million and Results R4,3 million.

Certain divisions operate in Namibia and the United Kingdom.
No secondary segment report has been included as the group derives substantially all its revenues and income from within the Republic of South Africa.

Amounts applicable to associates included above:

	2005		2004	
	Results R'000	Investment in associates R'000	Results R'000	Investment in associates R'000
Media and broadcasting	**–**	**–**	14 699	92 793
Financial services	**2 004**	**13 217**	(26)	1 447
Gaming, hotels and leisure	**76 989**	**229 491**	–	106 700
Information technology	**1 938**	**22 486**	5 531	15 628
Transport	**3 182**	**6 384**	–	–
Industrial	**(2 891)**	**53 070**	2 843	8 945
Other	**820**	**4 349**	–	–
	82 042	**328 997**	23 047	225 513

34. Change in accounting policy

The group applied AC501, Accounting for Secondary Tax on Companies (STC), for the first time during the 2005 financial year. As required by the statement prior year numbers were adjusted. The effect on the income statement, balance sheet and retained income are as follows :

		R'000
Balance sheet effect		
Deferred tax asset (STC)		167 582
Retained earnings as previously stated		69 865
Opening retained earnings adjustment		88 026
Adjustment to taxation in the income statement		39 152
Minority interest		(12 318)
Retained earnings restated		184 725
Income statement effect		
Profit before applying AC501 as previously reported		132 022
Loss due to application of AC501		39 152
Minority interest		(12 318)
Adjusted loss		158 856
Headline profit	As previously stated	2 979
	After application of AC501	29 813
Headline profit per share	As previously stated (cents)	2,96
	After application of AC501 (cents)	29,64

The effect on the current year is an increase in the tax charge of R53,032 million and in the deferred tax asset of R114,550 million.

	Company 2004 R'000
Change in basis of accounting in 2004	
Effect on company financial statements	
Reversal of revaluation of investments in subsidiaries and associates at 31 March 2002	(22 933)
Reversal of revaluation in year ended 31 March 2002	
Recoupment of impairment of goodwill and investments	
• As previously reported	(52 418)
• Reversal of revaluation during year	(19 390)
As restated	(71 808)
Profit for the year	
• As previously reported	1 075 734
• Reversal of revaluation during year	(19 390)
	1 056 344

	Group 2004 R'000
Restatement of investments	
Associated companies	
• As previously reported	10 795
• Reversal of revaluation during year	(4 991)
As restated	5 804
Subsidiary companies	
• As previously reported	563 581
• Reversal of revaluation during year	(37 332)
As restated	526 249

35. Related party transactions

Related parties include :

Directors, senior management, subsidiary and associated companies and controlling shareholders in the company.

35.1 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 1 and annexure A.

35.2 A director and the secretary of the company have an interest in companies providing accounting and secretarial services to certain subsidiaries. Fees are charged at open market rates.

36. Contingent liabilities

36.1 The company has issued a guarantee for a maximum of R13 million to facilitate the release of IGI Investment Company Limited from curatorship. This guarantee is supported by the assets of IGI Investment Company Limited and reduces as creditors of that company are paid.

36.2 As part of its provision of funding and investment services, Mettle Ltd 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.

37. Financial instruments and risk management

The carrying amounts of all financial instruments approximate their fair value.

37.1 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 to anticipated future transactions.

It is the practice of the group to take out partial cover on foreign transactions.

37.2 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.

37.3 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-term 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.

The group does not consider there to be any significant concentration of credit risk which has not been adequately insured or provided for.

37.4 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 specified period in the underlying price determinants, level of reserves and the experience and qualifications of the dealers.

37.5 Liquidity risk

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

37.6 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.

37.7 Hedges of foreign exchange risks

	Group	
	2005	2004
	R'000	R'000
Outstanding hedges as at 31 March 2005 for all currencies, by nature and amount, are as follows :		
(In Rands, translated using exchange rates as of 31 March 2005)		
Instruments that hedge operating transactions :		
- Forward sales contracts (total Rand value)	**158 170**	56 162

Foreign currency cash exposure
- all United States dollars

	US$'000	Average Rate $1=	Maturity
2005	20 649	R7,66	April 2005 to March 2008
2004	8 911	R8.16	April 2004 to December 2007

ANNEXURE A

	Issued share capital R'000	Interest %	**2005** Shares R'000	**2005** Loans R'000	2004 Shares R'000	2004 Loans R'000
Shares and loans are stated at cost less impairment						
Investment holding companies						
Almania Investments (Proprietary) Limited	*	100	**1**	**11 913**	1	1 593
Ancestral Investments (Proprietary) Limited	*	100	*	**(17)**	–	(17)
Descarte Investments No 8 (Proprietary) Limited	2	100	**574**	**(574)**	574	(574)
Flaghigh Investments (Proprietary) Limited	*	100	**35 000**	**39 854**	35 000	38 945
Francolin Investments (Proprietary) Limited	*	100	**–**	**–**	754	19 539
HCI Properties (Proprietary) Limited	*	100	*	**–**	–	–
Merilyn Investments (Proprietary) Limited	25 002	100	**25 065**	**24 685**	9 771	154 667
Move On Up (Proprietary) Limited	*	100	*	**–**	–	–
Ritzshelf 72 (Proprietary) Limited	*	100	*	**9 205**	–	–
Rowan Tree 4 (Proprietary) Limited	*	100	*	**20 000**	–	–
Sabido Investments (Proprietary) Limited	1 021	67	**156 974**	**242 236**	1	43 453
Tangney Investments (Proprietary) Limited	1	100	**32 500**	**45 097**	32 500	–
Winslet Investments (Proprietary) Limited	*	100	*	**(533)**	*	(533)
Zerilda Investments (Proprietary) Limited	*	85	**–**	**–**	**	–
Gaming						
Global Payment Technologies Holdings (Proprietary) Limited	44 888	96	*	**34 751**	*	12 175
Online Gaming Systems Australia (Proprietary) Limited	*	60	–	–	–	–
Vukani Gaming Corporation (Proprietary) Limited	*	96	**	**–**	**	–
Financial and management services						
HCI Managerial Services (Proprietary) Limited	*	100	*	**2 326**	*	5 325
H J S Advisory Services (Proprietary) Limited	150	100	*	**600**	13 500	–
Mettle Limited		100+	**	**(2 253)**	**	–
Mettle Operations Limited		100+	**		**	–
HCI Treasury (Proprietary) Limited		100+	*	**95 799**	**	–
Mettle Supreme Limited		100+	**		**	
Mettle Asset Securitisation Limited		100+	**		**	
Mettle Finance (Proprietary) Limited		100+	**		**	
Mettle Financial Trading (Proprietary) Limited		100+	**		**	
Mettle Investments Namibia (Proprietary) Limited (1)		100+	**		**	
Mettle Namibia (Proprietary) Limited (1)		100+	**		**	
Mettle Investments Limited (2)		100+	**		**	
Mettle UK Limited (3)		100+	**		**	
Mettle Isle of Man Limited (4)		100+	**		**	
Mettle Funding and Investments (Proprietary) Limited		100+	**		**	
Mettle Equity Group (Pty) Ltd		100+	**		**	
Industrial						
Formex Industries (Proprietary) Limited	100	68	**–**	**9 180**	**	
Johnson Access (Proprietary) Limited	2 000	68	**2 500**	**–**	*	
Tylon Holdings (Proprietary) Limited	*	75	**11 000**	**–**	**	

	Issued share capital	Interest	**2005** Shares	**2005** Loans	2004 Shares	2004 Loans
	R'000	%	**R'000**	**R'000**	R'000	R'000
Transport						
Golden Arrow Bus Services (Pty) Ltd	*	100	**257 420**	**–**	–	–
Hollyberry Props 12 (Proprietary) Limited	*	100	**	**2 766**	–	–
TV Station						
Midi TV (Proprietary) Limited	860 488	66	**	**60 255**	**	60 255
Other						
IGI Investment Company Limited						
8 435 448 shares	37 546	55,4	*	**–**	*	–
			521 034	**595 290**	92 101	334 828

* Under R1 000
** Indirectly held
\+ 65% owned at 31 March 2004

Subsidiaries whose financial position or results are not material are excluded above. Details of excluded subsidiaries are available from the company secretary.

	2005	2004
	R'000	R'000
Profits and losses of consolidated subsidiary companies attributable to the company		
Aggregate profits after tax	**3 858 939**	40 668
Aggregate losses after tax	**(62 755)**	(51 950)

Subsidiaries are incorporated in South Africa unless otherwise shown.

(1) Namibia
(2) Mauritius
(3) United Kingdom
(4) Isle of Man

This document is important and requires your immediate attention

HOSKEN CONSOLIDATED INVESTMENTS LIMITED
Registration number 1973/007111/06
Incorporated in the Republic of South Africa
("HCI" or "the Company")
ISIN Code: ZAE000003257 Share Code: HCI

NOTICE TO SHAREHOLDERS FOR THE YEAR ENDED 31 MARCH 2005

If you are in any doubt as to what action you should take arising from the following resolutions, please consult your stockbroker, banker, attorney, accountant or other professional adviser immediately.

Notice is hereby given that the Annual General Meeting of shareholders of Hosken Consolidated Investments Limited ("HCI" or "the Company") will be held at the offices of e.tv, 5 Summit Road, Dunkeld, Johannesburg, on Thursday 1 December 2005 at 10h00, for the following business:

1. To consider and adopt the Annual Financial Statements of the Company for the year ended 31 March 2005 together with the reports of the directors and auditors contained therein.
2. That the directors' remuneration as set out in the reports and accounts for the year ended 31 March 2005 be and is hereby approved.

3 To re-elect the following directors of the Company:

3.1 M.F Magugu
3.2 J.G.Ngcobo
3.3 Y. Shaik

who retire by rotation at the Annual General Meeting, but, being eligible, offer themselves for re-election.

A brief curriculum vitae in respect of each director referred to in 3.1., 3.2 and 3.3 appears on page 5 of this annual report.

4 To authorise the directors to re-appoint PKF (Jhb) Inc as the independent auditors of the Company for the ensuing year and to authorise the directors to determine the remuneration of the auditors.

As special business, to consider and, if deemed fit, pass with or without modification, the following resolutions:

ORDINARY RESOLUTIONS

Control of authorised but unissued shares

5 "RESOLVED THAT the authorised but unissued shares in the capital of the Company be and are hereby placed under the control and authority of the directors of the Company and that the directors of the Company be and are hereby authorised and empowered to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as the directors of the Company may from time to time and in their discretion deem fit, subject to the provisions of the Companies Act (Act 61 of 1973) as amended ("the Act"), the Articles of Association of the Company and the Listings Requirements of the JSE Securities Exchange South Africa ("JSE"), when applicable."

Approval to Issue Shares for Cash

6 "RESOLVED THAT the directors of the Company be and they are hereby authorised by way of a general authority, to issue all or any of the authorised but unissued shares in the capital of the Company for cash, as and when they in their discretion deem fit, subject to the Act, the Articles of Association of the Company, the JSE Listings Requirements, when applicable, and the following limitations, namely that –

6.1 the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;

6.2 any such issue will only be made to "public shareholders" as defined in the Listings Requirements of the JSE and not related parties, unless the JSE otherwise agrees;

6.3 the number of shares issued for cash shall not in the aggregate in any one financial year exceed 15% (fifteen per cent) of the Company's issued share capital of ordinary shares. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of such application less any ordinary shares issued during the current financial year, provided that any ordinary shares to be issued pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (concluded up to date of application) may be included as though they were shares in issue at the date of application;

6.4 this authority is valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given;

6.5 a paid press announcement giving full details, including the impact on the net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of shares in issue prior to the issue; and

6.6 in determining the price at which an issue of shares may be made in terms of this authority post the listing of the Company, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors of the Company.

This resolution is required, under the JSE Listings Requirements, to be passed by achieving a 75% majority of the votes cast in favour of such resolution by all members present or represented by proxy and entitled to vote, at the annual general meeting.

7. Distribution to Shareholders out of Share Premium

"Resolved that the board of directors of HCI be and they are hereby authorised by way of general authority to make a payment to HCI shareholders as and when they in their opinion deem fit, subject to the Companies Act (Act 61 of 1973), as amended and specifically to the provisions of section 90 of the Act, the Company's Articles of Association, the JSE Listings Requirements, and the following limitations, namely that –

- this authority is valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given; and
- the payment shall not exceed 20% of the Company's issued share capital, including reserves but excluding minority interests, and revaluations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months, in any one financial year, measured as at the beginning of such financial year."

7.1 Rationale for the authority

The board of directors of HCI intend to use the authority, if appropriate, to make a cash payment to shareholders out of share premium should there be excess cash reserves on hand in the group.

7.2 Adequacy of working capital

The board of directors of HCI, having considered the impact which the distribution out of share premium would have on the company, is of the opinion that for a period of 12 months from the date of passing of ordinary resolution number 7, being 1 December 2005:

- the company and the group will be able, in the ordinary course of business to pay its debts;
- the assets of the company and the group will be in excess of the liabilities of the company and the group. For this purpose, the assets and liabilities have been recognised and measured in accordance with the accounting policies used in the latest audited group financial statements; and
- the working capital, share capital and reserves of the company and the group will be adequate for ordinary business purposes.
- Upon making the payment, the company's sponsor shall comply with its responsibilities contained in schedule 25 of the JSE Listings Requirements.

8 Special Resolution Number 1 Approval to repurchase shares

"RESOLVED THAT, as a general approval contemplated in sections 85(2) and 85(3) of the Act, the acquisitions by the Company, and/or any subsidiary of the Company, from time to time of the issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the Articles of Association of the Company, the provisions of the Act and the JSE Listings Requirements, when applicable, and provided that –

8.1 the repurchase of securities are being effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter party;

8.2 this general authority shall only be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;

8.3 in determining the price at which the Company's ordinary shares are acquired by the Company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten per cent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of the repurchase of such ordinary shares by the Company;

8.4 the acquisitions of ordinary shares in the aggregate in any one financial year are not exceeding 20% (twenty per cent) of the Company's issued ordinary share capital from the date ofthe grant of this general authority;

8.5 the Company and the Group are in a position to repay its debt in the ordinary course of business for the following year;

8.6 the consolidated assets of the Company, being fairly valued in accordance with Generally Accepted Accounting Practice, are in excess of the consolidated liabilities of the company forthe following year;

8.7 the ordinary capital and reserves of the Company and the Group are adequate for the next twelve months;

8.8 the available working capital is adequateto continue the operations of the Company and the Group in the following year;

8.9 upon entering the market to proceed with the repurchase, the Company's Sponsor has confirmed the adequacy of HCI's working capital for the purposes of undertaking a repurchase of shares in writing to the JSE;

8.10 after such repurchase the Company will still comply with paragraphs 3.37 to 3.41 of the JSE Listings requirements concerning shareholder spread requirements;

8.11the Company or its subsidiary are not repurchasing securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;

8.12 when the Company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement will be made; and

8.13 the Company only appoints one agent to effect any repurchase(s) on its behalf.

Other disclosure in terms of the JSE Listings Requirements Section 11.26

The JSE Listings Requirements require the following disclosure, some of which are elsewhere in the annual report of which this notice forms part as set out below:

– Directors and management – pages 2, 4 and 5;
– Major shareholders of HCI – page 18 and 19;
– Directors interests in securities – page 55; and
– Share capital of the company – page 44.

Litigation statement

The directors, whose names are given on page 2 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous twelve months, a material effect on the financial position of the HCI group other that that as set out below:

An application has been made to the High Court of South Africa (Witwatersrand Local Division) by Nafcoc under case number 05/7941 for an order declaring inter alia, that the transfer of 66 shares in Tsogo Investment Holdings (Pty) Ltd ("TIH") ("the disputed shares") that HCI's wholly owned subsidiary, Tangney Investments (Proprietary) Limited purchased from African Renaissance Holdings (Proprietary) Limited, is invalid for want of compliance with TIH's articles of association as read with its shareholders agreement, and directing that the disputed shares be transferred back to African Renaissance Holdings (Proprietary) Limited. These 66 shares constitute 4,4% of all the ordinary issued shares in the capital of TIH. HCI has opposed the application and opposing affidavits have been filed. The dispute has been set down for hearing on 13th September 2005.

In another matter Nafcoc has caused its attorneys to address a letter of demand to TIH demanding that TIH in turn send letters of demand to HCI subsidiaries that are shareholders in TIH. Nafcoc contends that the acquisition by HCI of the shares in the subsidiaries concerned is a breach of TIH's shareholders agreement. The TIH board resolved to seek independent legal advice on the matter and the independent legal advice was that the complaint is without substance and that TIH is not required to address demands to the HCI subsidiaries. Although this independent advice is not binding of Nafcoc, it is hoped that Nafcoc will not seek to take the matter any further. Should Nafcoc do so, the matter will be defended by the relevant HCI subsidiaries.

In addition to the above:

- Johnnic has objected to certain applications by HCI and the Fabcos Group to the Securities Regulation Panel ("the SRP") for the approval of its proposed implementation of the acquisition by HCI of 100% of Fabvest ("the Fabvest Acquisition") and has made submissions to the SRP challenging the Fabvest Acquisition; and
- HCI's applications to the various Gaming Boards for approval of the Fabvest Acquisition and the HCI group's shareholding in Johnnic have been objected to by Johnnic and Nafcoc.
- Johnnic Limited has made application to the Competition Tribunal to inderdict HCI from (further) implementing its mandatory offer to purchase all the shares in Johnnic that it does not own pending approval from the Competition Authority. HCI has opposed this application and the matter has been set down for hearing on 22nd September 2005.

HCI is opposing and resisting the various objections and legal proceedings. The sub judicae rule prohibits discourse on the merits of the various matters at this stage. An adverse outcome may affect the acquisition of shares in Johnnic, the Fabvest Acquisition and / or HCI's interests in the Tsogo Group. The quantam of the above cannot be determined at this stage.

Director's responsibility statement

The directors, whose names are given on page 2 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information.

Material change

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of HCI and its subsidiaries since the date of signature of the audit report and the date of this notice.

The reason and effect for special resolution 1 is to authorise the Company and/or its subsidiary company by way of a general authority to acquire its own issued shares on such terms, conditions and such amounts determined from time to time by the directors of the Company subject to the limitations set out above.

The directors of the Company have no specific intention to effect the provisions of special resolution number 1 but will, however, continually review the Company's position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of special resolution number 1.

OTHER BUSINESS

9 To transact such other business as may be transacted at an Annual General Meeting.

Voting and Proxies

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company. For the convenience of registered members of the Company, a form of proxy is enclosed herewith.

The attached form of proxy is only to be completed by those shareholders who are:

- holding HCI ordinary shares in certificated form; or
- are recorded on the electronic sub-register in "own name" dematerialised form.

Shareholders who have dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker, other than with "own name" registration, and wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with a Letter of Representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement/mandate entered into between them and the CSDP or broker.

By order of the Board

TG Govender
Company Secretary

Date: 12th September 2005
Place: Durban