Index

DIRECTORS

Marcel Jonathan Anthony Golding (Chairman)
Block B, Longkloof Studios
Darters Road, Gardens
Cape Town, 8001

John Anthony Copelyn (Chief Executive Officer)
Block B, Longkloof Studios
Darters Road, Gardens,
Cape Town, 8001

Velaphi Elias Mphande (Executive Director)
33 Fricker Road
Illovo Boulevard
Illovo, 2196

Andre van der Veen (Executive Director)
33 Fricker Road
Illovo Boulevard
Illovo, 2196

Mimi Freddie Magugu *
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Meisieshalt
Gonubie, 5207

Amon Malencane Ntuli *
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Durban, 4001

Virginia Mary Engel *
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Woodstock, 7925

Jabulani Geffrey Ngcobo *
Suite 624, Office Tower
Overport City
Durban, 4001

Yunis Shaik*
52 Troon Road
Greenside, 2193

Jabulani Albert Mabuza
3rd Floor, Palazzo Towers East
Monte Casino Boulevard
Fourways, 2055

* Non-executive

WEBSITE ADDRESS

www.hci.co.za

COMPANY REGISTRATION NUMBER

1973/007111/06

SHARE CODE

HCI ISIN: ZAE000003257

COMPANY SECRETARY AND REGISTERED OFFICE

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Overport City, Durban

Telephone: (031) 209 0821
Telefax: (031) 209 3271

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Overport City, 4067

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Registration number 1994/001166/21
PKF House
15 Girton Road
Parktown, 2193

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Postnet Parktown
Private Bag X30500
Houghton, 2041

BANKERS

First National Bank of Southern Africa Limited
Investec Bank Limited

SPONSOR

Investec Bank Limited
100 Grayston Drive
Sandton, Sandown, 2196

TRANSFER SECRETARIES

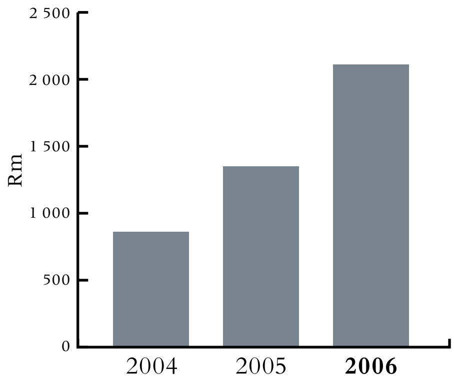
Computershare Investor Services Limited
8th Floor, 11 Diagonal Street
Johannesburg, 2001

P O Box 1053
Johannesburg, 2000

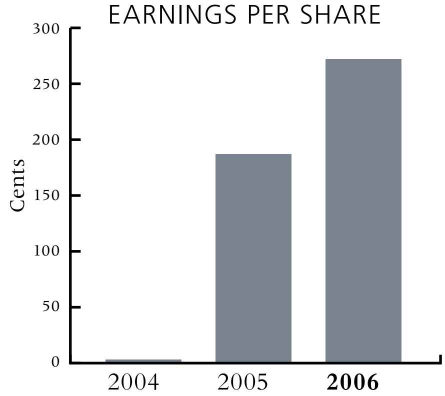
FINANCIAL HIGHLIGHTS FOR THE YEAR

		2006	2005
Adjusted headline earnings	- Rm	**326**	194
- per share	- cents	**272**	184
Dividend per share	- cents	**-**	95
Net asset carrying value per share	- cents	**1 425**	1 177
Share price - high	- cents	**4 400**	2 910
- low	- cents	**2 400**	900
- at year end	- cents	**4 000**	2 900

REVENUE



ADJUSTED HEADLINE EARNINGS PER SHARE

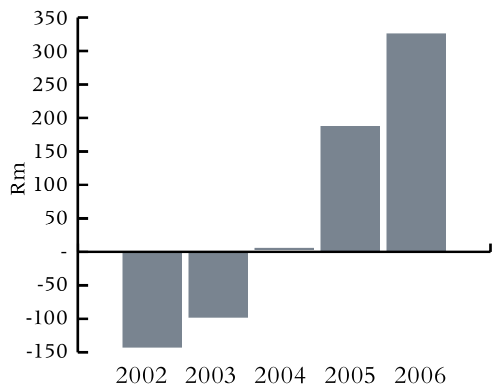


FIVE YEAR REVIEW

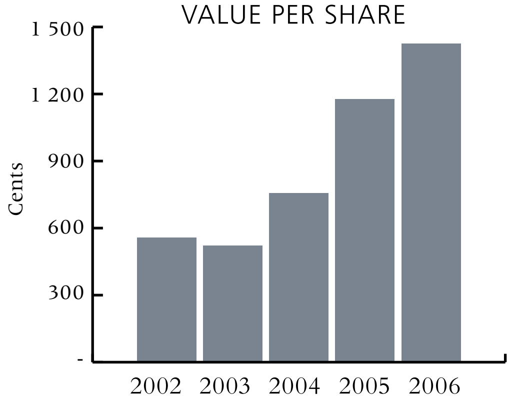
	2006 R'000	2005 R'000	2004 R'000	2003 R'000	2002 R'000
Revenue	**2 111 982**	1 348 287	862 598	508 559	390 266
Headline earnings•	**326 076**	194 136	2 979	(98 292)	(142 788)
Net asset carrying value per share -cents	**1 425**	1 177	756	521	558
Shares in issue - average ('000)	**119 853**	105 704	100 581	306 031	375 294
- at year end ('000)	**122 882**	117 997	103 022	107 802	367 530

* Adjusted headline earnings for 2004, 2005 and 2006
2002-2004 not restated for IFRS

HEADLINE EARNINGS



NET ASSET CARRYING VALUE PER SHARE



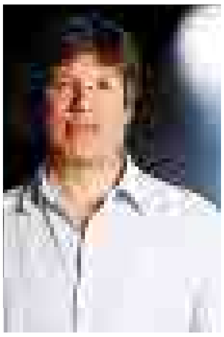
EXECUTIVE DIRECTORS

MARCEL JONATHAN ANTHONY GOLDING (46)

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 e.tv; chairman of Johnnic Holdings Limited and holds directorships in numerous companies.



JOHN ANTHONY COPELYN (56)

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; is chief executive officer of Johnnic Holdings Limited and non-executive chairman of e.tv, Mettle Limited and Tsogo Sun Holdings.

VELAPHI ELIAS MPHANDE (49)

Elec. Eng. (dip)

Executive Director

Elias is Group Chief Executive of Vukani Gaming Corporation (Pty) Ltd. He was appointed to the board of HCI as 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 e.tv, Clover SA, Johnnic Holdings Limited and Tsogo Sun Holdings.

ANDRE VAN DER VEEN (35)

CA(SA), CFA

Executive Director

Andre joined HCI in 2004 after HCI acquired 100% of Mettle. He previously held positions in investment banking at Nedcor Investment Bank and the Greenwich Group. He holds various directorships which include Clover Industries Limited, Mettle Limited and Formex Industries (Pty) Limited.

Board of Directors

NON-EXECUTIVE DIRECTORS

MIMI FREDDIE MAGUGU (47)

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 (48)

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 (56)

Non-Executive Director

Virginia is the executive chairperson of the HCI Foundation. Previous to this she was the co-ordinator of the SACTWU Welfare Trust and private secretary to Nelson Mandela during the last two years of his presidency. She holds a non-executive directorship in Golden Arrow Bus Services (Pty) Limited and was appointed to the Board of HCI as non-executive director in January 2004.

JABULANI GEFFREY NGCOBO (55)

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 (48)

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.

JABULANE ALBERT MABUZA (48)

Non-Executive Director

Jabu was recently appointed Chief Executive Officer of the Tsogo Sun Group. Prior to this appointment, he was Managing Director of Tsogo Sun Gaming for a number of years. He is also currently Chairman of the Casino Association of South Africa as well as Chairman of the South African Tourism Board and holds various directorships in the larger Tsogo Sun Group and other companies. He was appointed to the board of HCI as a non-executive director in July 2006.

Marcel Golding

In the year that has passed since our last annual report to shareholders, HCI has continued to grow at a very encouraging pace. Virtually all its underlying businesses have enjoyed excellent growth. The acquisitions we made during the year appear to be lucrative and the rise in the HCI share price over the last year from R30 to R45 per share appears to reflect the general progress of our company over the period.

The centrepiece in our activities was the successful bid for control of Johnnic Holdings Limited ("Johnnic"). Despite its board's view that our offer was too low, a sufficient number of Johnnic shareholders accepted it to allow HCI to acquire 51% of its issued shares in December 2005.

Subsequently the board of Johnnic made way for HCI appointees who have significantly restructured the company and reduced its overheads. HCI was ordered by the Competition Tribunal to dispose of the business operated by Johnnic at Gallagher Estates. In consequence, much effort has been made to comply with this order and we are in the final stages of giving effect thereto.

The new board of Johnnic also declared a R3 per share special dividend and this allowed HCI to reduce its debt to more acceptable levels.

We are now in the last stages of seeking Gaming Board approval for our transaction to acquire the Fabcos interest in Tsogo Investment Holdings ("TIH").

Subsequent to year end, we also succeeded in acquiring a further 4,67% of TIH. Once regulatory approvals have been obtained all these transactions will result in HCI effectively owning 65,33% of TIH with control of an additional 9,5% through Johnnic. We will, at that point, consolidate Tsogo Sun Holding's results in HCI. Undoubtedly it will become by far our largest subsidiary (in all likelihood from our March '07 results).

Tsogo Sun has continued to deliver excellent results with casino revenues climbing at double digit rates as well as EBITDA margins increasing. Likewise the hotel group had a very successful year which is especially pleasing since it underwent a major rebranding during the year by recommencing trading under its own Southern Sun brand.

Our other major gaming asset, Vukani, somewhat underperformed against management expectations due to the slower than anticipated roll-out of its machines. Essentially the pace of roll-out is entirely governed by regulatory approvals. Vukani nevertheless continues to be a significant part of HCI's growth in future with the company now being licenced in five regions. The roll-out in KwaZulu Natal and Limpopo is expected to commence in the 2006/7 financial year.

With Tsogo and Vukani, gaming will become the main driver of HCI's balance sheet and earnings in the immediate future.

HCI disposed of its interests in the IQ Business Group and iProp for R44 million. Subsequent to year end we have also entered into an agreement of sale to dispose of our interest in Tylon and have committed Johnnic to disposing of Gallagher Estates.

While equity markets in South Africa have performed strongly over the last few years, there remain significant acquisition opportunities for HCI. It is one of the very few companies of its size that is majority owned by black persons. This, together with its balance sheet and cash flow, allows HCI a look-in at special opportunities where diversifying historic ownership patterns are a substantial consideration. It is the HCI board's view that we pursue opportunities where we believe we can acquire substantial interests in sustainable, long term businesses. We have identified certain resource-based opportunities and are assembling a team to pursue them.

Hopefully we are on the road to building a company that is frugal with its limited capital base: able on the one hand to identify special growth opportunities in which to invest and, on the other, to manage efficiently more mature, cash-producing assets that will provide the group with the ability to fund its acquisitions prudently.

We take the opportunity of congratulating Andre van der Veen on his appointment as executive director of HCI. We also congratulate Jabu Mabuza on his appointments as CEO of Tsogo Sun Holdings and as a director of HCI. We welcome both to the HCI board.

As indicated in our last report that our social responsibility work will be separately reported on, but it remains for us to say that the work of the HCI Foundation is a key part of the work we do in HCI, and we are exceptionally pleased that the foundation has grown in both focus and depth, in line with that of HCI itself. It has allowed HCI to emerge as a very special entrepreneurial vehicle with good commercial returns to its shareholders and good social returns both to the group's 15 000 or so employees and to communities across the country with whom we are trying to engage.

John Copelyn

GAMING AND LEISURE

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

Tsogo Sun Holdings 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. The Group is 51% owned by Tsogo Investments with the remaining 49% owned by SABMiller, the London-based beverage group.

The Tsogo Sun Group is divided into two separate 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 4 023 slot machines and 156 gaming tables.

Southern Sun Hotels has 76 hotels comprising 12 600 rooms. The hotels cover all segments of the industry from 5 star deluxe resorts to 1 star budget city centre hotels. The company continues to operate a number of international and local brands and currently trades in six countries in addition to South Africa. In line with its strategy of owning brands, the company recently acquired the Garden Court brand from the InterContinental Hotel Group whilst the Southern Sun brand will be grown as the Group's premier category of four and five star hotels. The Group continues to pursue opportunities in the Middle East, Africa and the Indian Ocean.

Buoyant trading conditions stimulated by the strong domestic economy enabled the Tsogo Sun Group to achieve satisfactory results for the year to 31 March 2006. Both Gaming and Hotels contributed to this financial result.

Tsogo Sun Gaming posted a 16% increase in Gaming win in line with regional industry growth levels. Southern Sun Hotels reported improved occupancy which together with higher room rates assisted in improving revenue-per-available-rooms-sold by 12%. This improved level of trading, assisted by good overhead costs control, resulted in an EBITDA improvement of 19%. The Group continues to generate substantial free cash flow which has been used to reduce gearing.

New hotel, entertainment and parking facilities at Montecasino and Suncoast are expected to open later in the financial year and will assist in generating greater footfall through the casino complexes.

The Group continues to enjoy significant achievements in Empowerment Ratings, with Southern Sun Hotels having recently obtained an AA rating from Empowerdex whilst Tsogo Sun Gaming achieved a top 300 empowerment award from Impumelelo for two consecutive years.

VUKANI GAMING CORPORATION (PTY) LIMITED (“VUKANI”)

Vukani is the largest limited payout route operator in South Africa, being the only operator that is licensed in all operating provinces. Prior to year-end, HCI acquired the interests of minority shareholders in Vukani and now owns 100%.

During the year under review Vukani increased its machine base to over 1 100 machines, an increase of 260% compared to the prior year. On average, Vukani roll out 60 machines per month across all licensed areas. Vukani’s installed base is now spread across the Western Cape, Eastern Cape and Mpumalanga.

The Company made a loss for the year mainly due to the delay in licensing and subsequent roll-out in the North-West and KwaZulu-Natal provinces. However, by year-end the business had become profitable on a month-to-month basis due to the sustained roll-out in the Western Cape and Eastern Cape.

Even though the slow roll-out has been disappointing, the Gross Gaming Revenues (“GGRs”) that were generated by the installed machines are exceeding expectations, boding well for the future profitability of the business. The industry is a new one in South Africa and Vukani is confident that as the industry matures, Vukani and its site owners will be better able to optimise the performance of the machines, which should lead to higher GGR’s per machine.

The KwaZulu-Natal and Limpopo bids were successful and Vukani has been granted a licence to roll-out 1 000 and a minimum of 350 limited payout gambling machines in KZN and Limpopo respectively. Vukani is the only route operator which has successfully bid for licenses in every region. The business now has critical mass and is poised to grow strongly. The next 18 months will be difficult as roll-outs will be happening across 5 regions simultaneously. However management is confident that this process will be administered smoothly.

Vukani also submitted a bid in the North West province. The outcome of which is still pending. Bids will be made for licences in other regions, as these are made available.

JOHNNIC HOLDINGS LIMITED (“JOHNNIC”)

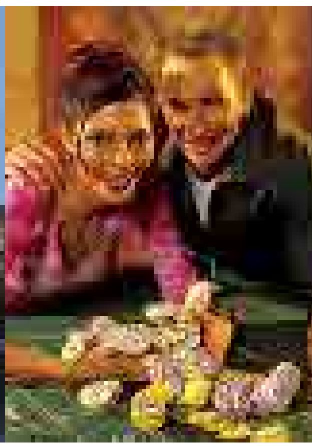
Johnnic became an HCI subsidiary from December 2005, following HCI’s offer to Johnnic shareholders and the subsequent acquisition of over 50% of the issued share capital of the Company.

Johnnic’s major assets are its interests in the Suncoast Casino, Tsogo Sun and Gallagher Estates.

Suncoast Casino continued to perform strongly in the year under review and market share increased marginally, notwithstanding the increased competition as a result of the Sibaya facility opening in December 2004.

The figures for the traditional exhibitions and conferencing business have been distorted somewhat by the inclusion of the Pan-African Parliament rentals. Notwithstanding this, turnover from the conferencing, exhibition and banqueting business grew by 18% from R53 million to R62 million. This was very pleasing in an increasingly competitive market. Gallagher Estates remains a premier brand in the exhibitions and conferencing market in Gauteng and management believes that continued growth can be achieved going forward.

Nevertheless, in light of HCI’s controlling interest in the Sandton Convention Centre (owned by Tsogo), a condition was imposed by the Competition Tribunal obliging HCI to dispose of the Gallagher Estate Exhibitions and Conferencing Business during 2006. As a result the company is in the process of complying with this requirement.


MEDIA AND BROADCASTING

E.tv

e.tv continued to perform well during the year under review. Its growth has been driven by an increase in its black middle income viewership. e.tv retains its position as the most-watched english medium channel in South Africa and the second largest channel overall. It showed a 6% growth in audience share year on year (TAMS March 2006) and currently holds a 21% share of the adult audience. Its "yesterday" viewership is 11,2 million (amps 2004/2005). Programmes which contributed to e.tv's growth in audience share are its 7pm news and the daily local dramas Backstage and Scandal, in addition to movies and wrestling which continue to attract the highest viewership ratings. Television advertising has also grown significantly compared to radio and print advertising in the past period.

e.tv has supported various development initiatives over the past twelve months. It commissioned and broadcast four documentaries from first-time producers in provinces outside of Gauteng and the Western Cape. The channel also launched Wild Talk Africa – a wildlife documentary project which aims to develop South African wildlife film-making and enhance South African prospects for the export of documentaries in this genre. A specific focus of this initiative, which is driven and sponsored by e.tv, is the training and empowerment of black documentary producers.

e.tv has a few projects under review to expand its business into Africa. Nigeria and Tanzania have progressed well and the vision to become a Pan-African media business will gain momentum in the new financial year. e.tv also intends to explore various opportunities which have arisen from the development of new distribution technologies and, in doing so, plans to transform itself into a multi-platform content provider. Sabido, e.tv's holding company, has a 34% shareholding in Dreamworld, the feature film studio situated in Faure, Cape Town. The development of phase one, that includes sound stages, offices and warehouses, will take place in the next eighteen months.

YIRED (PTY) LIMITED ("YFM")

Yired (Pty) Ltd holds two major media assets – YFM and Y Mag. YFM is a Gauteng based radio station, with a core target market of 16-26 and attracts over 1,2 million weekly listeners. Y Mag is a bimonthly youth publication with a circulation in the region of 13 000.

During the financial year net profit after tax for the consolidated Yired group of companies increased by 13% y-o-y. Management anticipates a slowing in revenue growth for the current financial year driven primarily by difficult trading conditions for the radio sector as well as the launching of a new on-air line-up.

The 2006/07 financial year is one of consolidation for Yired. YFM is focussed on the training of new on-air personalities and delivering increased marketing activity aimed at regaining audiences that had been lost over an 18 month period. Y Mag will be re-launched in an effort to bring the magazine's content closer to a mass youth market.

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

TBM operates two core businesses using the same satellite multicasting technology; an advertising network (Out-of-Home TV), and the operation of visual communication networks for the private and public sector.

TRANSPORT

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

During the year under review Golden Arrow's services remained in great demand and passenger growth increased by 3,7%. The purchase of 84 new buses at a cost of approximately R90m during this period means that the company is currently operating a fleet of 919 buses, with another 25 buses on order. In addition, the company's heavy engineering plant continues to rebody older buses with 38 buses having been rebodied during the period under review.

Since HCI acquired Golden Arrow we have now bought some 169 new buses and it is HCI's intention to continue to modernize the fleet as rapidly as possible. Of concern however is that the company continues to operate on a temporary contract terminable on short notice.

Another major concern is the continuing increase in the cost of fuel, with the cost of diesel having increased by 9,5% during the past year. The effects of this increase on company costs were only partially offset by a fares adjustment during August 2005.

Golden Arrow continues to expand its BEE initiatives, and of its annual procurement expenditure approximately 75% is spent on procurement from BEE suppliers. In addition the company subcontracted some 19% of its total turnover to BEE subcontractors. The biggest of these is Sibanye, a joint venture company between Siyakhula Bus Services, Abahlobo Bus Services and Golden Arrow Bus Services established in 2001. Sibanye operates the Atlantis routes as a subcontractor to Golden Arrow, and has enabled 52 small operators to participate successfully in the transport field as well as enabling the transfer of skills to the participants.

Golden Arrow has continued its program to improve its operating efficiencies and cost control. Through a number of external consultants and internal analysis new benchmarks for efficiency are continually being set and met. Process control is continually evaluated which has resulted in significant improvements over the last year.

During the 2006 year Golden Arrow focused intensely on improving its customer service by ensuring a quality product. This initiative has now been expanded with a training intervention for drivers called "Free to Grow". This intervention focuses on personal development and the importance of interpersonal relationships at all levels.

The most significant issue facing Golden Arrow remains the intention to change the regulatory framework governing bus subsidies and to replace the existing system with a tendered contract system. Golden Arrow continues to engage with government at all three levels on the implementation of a negotiated contract for the Cape Metropole which would be the most sensible way of introducing the contract system without disrupting passenger transport services.

FOOD AND BEVERAGES

CLOVER INDUSTRIES LIMITED ("CIL")

Clover is a well-known entity in the South African corporate world. The history of the company is essentially the story of milk procurement, processing and marketing, and history shows how it grew from a single creamery in Natal to one of the largest consumer branded goods company in the country. For more than 106 years Clover has been delivering a wide range of quality products to the people of South Africa.

Clover processes 32% of the country's milk in 40 factories and employ more than 6000 staff nationally.

A BEE partnership was concluded when HCI purchased 25,1% ordinary shares and 25,1% preference shares in CIL in September 2005. A capital injection of R91,8 million was accomplished with this transaction, which received the overwhelming support from the ordinary shareholders of CIL. HCI has an indefinite option to increase its interest in Clover's ordinary shares to 34,9% and has increased its effective economic interest in Clover to 46,2% by acquiring additional preference shares on the OTC market.

The challenges facing management involved in the dairy industry are arguably some of the most complex of the FMCG sector, principally as a result of milk's perishability coupled with the seasonality of demand. In Clover's case this is exacerbated due to the wide dispersion of its dairy farmers and the imbalance between the location of the farmers, production facilities and the dairy markets. These factors contributed to Clover realising a loss for the year ended June 2005.

Restructuring efforts over the last year have focused on returning to long term profitability by restructuring the senior management team, improving efficiencies within Clover, re-balancing the value chain and adopting strategies on how to best trade in a low inflationary environment.

Clover's interim results showed a significant improvement in profitability with an attributable profit of R65 million from a loss in 2005. It is not expected that the full year results to June 2006 will show the same proportional increase, mainly due to the seasonal dairy demand, but it is evident that management's efforts are beginning to deliver results.

Significant pressure is continuously placed on Clover to increase the milk price paid to dairy producers. In the past this increase was judged in isolation and increases mainly related to inflationary factors. Low inflation however makes it increasingly difficult to pass price increases on to consumers, and in dairy's case the price increases on the retail shelf have historically exceeded inflation and consequently made milk less affordable than comparable products.

While farmers requested a general milk price increase, Clover elected to implement a new business model where it seeks to balance the supply of milk, production facilities and its markets. This should result in increased operational efficiency and greater flexibility in milk procurement. The model aims to provide a long term solution to the price and volume dichotomy which in the past was regulated by the quota system. It should also provide farmers, who are facing cost pressures due to higher input costs, with more certainty about future prices and volumes.

Notwithstanding the expected slower growth in the FMCG market, mainly due to higher interest rates, it is expected that Clover will increase its earnings for 2007. Investment in innovative products and packing will continue to lead the market and Clover's brand remains one of the most recognized in the industry.

FINANCIAL SERVICES

METTLE

2006 marked the year that Mettle celebrated its 10 year anniversary. The niche financial services landscape changed significantly during these 10 years, not leaving Mettle untouched. This necessitated changing the management team, group structure and rethinking Mettle's financial services strategy. The restructuring was largely completed by the 2006 year end and resulted in two focused operating entities being Mettle Limited and Mettle Central Investments.

Mettle Central Investments

Mettle Central Investments ("MCI") focuses on the analysis of niche lending and credit arbitrage opportunities. This involves the acquisition of business and the investment in financial assets. MCI continues to utilise the Mettle brand, as evidenced in two businesses, Mettle Motor Loans ("MML") and Mettle Factors, which were started in 2005.

Both start-up businesses have successfully grown their respective lending books and built their product distribution channels. While Mettle Factors is profitable on a month to month basis, MML is only expected to become profitable in 14 to 18 months time.

The specialised finance division which has been incorporated into MCI, not only utilises its unique fund raising and credit management skills to assist in growing the product based businesses such as MML and Mettle Factors, but also concluded new securitisation and fund raising mandates during the year. In addition a number of existing clients elected to renew mandates for additional financing periods. This division is considered to be a specialist in providing middle sized business with securitisation and fund raising products.

Further opportunities, both start-up and acquisitive, have been identified where Mettle's unique skills will assist in building businesses that provide niche financial products that take advantage of credit and margin arbitrage opportunities. To manage this growth, MCI is building its skill and staff complement in credit analysis and back office administration.

Mettle Limited Group

Due to the changing market conditions mentioned above, structured product staff were reduced significantly, as this group currently focuses only on successfully managing the traditional funding and investment book until maturity of historic transactions.

NOAH FINANCIAL INNOVATION

The landscape for execution only empowerment stockbrokers is extremely competitive. While there is significant pressure on asset managers to utilise empowered stockbrokers to execute trades, the research capability of the empowerment brokers has traditionally been limited. As trade volumes are allocated based on research ratings, empowerment brokers have had difficulty in growing trade volumes.

Noah has successfully developed a unique business model where it offers world class trade execution with independent research. Independent international and local experts operate in partnership with Noah to provide unconventional industry and sectoral insight in their research reports and presentations. This has enabled Noah to maintain its proportional share of the increased volumes in a buoyant equities market. In order to execute the higher trade volumes (and with the encouragement of their clients) Noah has strengthened its trading and back office team to ensure that its exemplary execution reputation is maintained.

The financial performance of a stockbroking business is determined by three factors: the volume of trade in the market, the quality of execution and the quality of research. Noah is confident that its execution will remain flawless and it has initiatives to further improve the quality of its research through partnering with renowned international experts. The volatility in the equity market remains high and trading volumes are difficult to predict. Noah is however expected to benefit from the reduction in the number of empowerment brokers and traditionally Noah has benefited disproportionately in a volatile market. All indications are that, with the growth in stature of Noah's brand and market position, and its unique culture and committed management team, profits will significantly increase in the year ahead.

INDUSTRIAL

JOHNSON CRANE HIRE ("JCH")

The buoyant building and construction industry, commented on in 2005, remains well evidenced in the economy. The expected increase in capital expenditure in the mining sector, predicted in 2005, materialised with a number of platinum mine projects being fast tracked. JCH continues to benefit from this, and the increased utilisation in the second half of the last financial year continued and further increased into 2006. Utilisation levels exceeded management forecasts. Capital expenditure amounting to approximately R50 million was committed and spent during the year, with most of the newly acquired cranes already commissioned.

JCH's focus on health and safety ensured that its exemplary safety record was maintained. The health and safety system implemented in JCH is increasingly becoming a competitive advantage to the business as more focus is being deployed in this area by large clients.

It is anticipated that the crane hire industry will experience a significant capacity shortage for the next 3 to 4 years as capital expenditure in the mining and industrial sector increases, infrastructural spending catches up with the backlog and large projects such as the Gautrain require completion before 2010.

The purchase of a new mobile construction crane, similar to the traditional tower cranes used in the building industry, reflects JCH's innovative approach to a generally staid market. This construction crane is new world wide and JCH is the first company in SA to offer the crane. The crane was well received at its launch and it is expected that JCH will capitalise on this niche market.

Debt amortisation and buoyant market conditions are expected to result in higher profits for 2007.

TYLON HOLDINGS

Tylon was acquired as a turnaround opportunity for the group in 2004. The management team was replaced in October 2004 and world class manufacturing practices were implemented by the new CEO. Investments were made to improve plant stability and capacity which enabled the plant to supply higher volumes of product on a just in time basis.

Turnover increased by 30% in 2006 and overall costs increased by 18,6%. Product innovation remains a business imperative and 5 new products were successfully launched during the year. While cement prices increased by 8,5% and dry sand prices by 11,3%, revised product formulations and better buying practices have enabled Tylon to absorb the significant raw material increases. Tylon increased its average selling prices by 3% in 2006, the first general price increase since April 2004.

The building and construction industry, especially in the lower income market remains buoyant and it is expected that demand levels will remain high in 2007. Tylon's increased brand recognition and quality standards are expected to bear fruit, resulting in increased market share. In addition Tylon's manufacturing facilities have the ability to meet peak demand requirements from customers on short notice, an ability which its competitors are unable to match.

Higher profits are expected in 2007, mainly driven by increased product demand and improved manufacturing efficiency.

FORMEX ENGINEERING

Formex exceeded sales and profitability expectations in 2006. This was mainly the result of increased volumes in the door lock assembly division and improved efficiency in the catalytic converter business. The management team was further strengthened by key senior appointments in the Port Elizabeth and Isando facilities. Precision Engineering was acquired from General Motors South Africa in January. The acquisition provides Formex with high speed transfer and progression pressing capacity, which in turn leads to world class competitiveness in the catalytic converter pressing industry. The benefit of the acquisition is already seen in the order book. A contract was also concluded to assemble door modules in a new East London plant for the new C Class Mercedes.

The order book for the group is looking healthy in the catalytic converter division and the doorlock divisions. Additional press capacity was installed in early 2006 and it is expected that this capacity will be filled in 2007. The pulley division is lagging its targets but increased marketing efforts in the USA and Europe are expected to yield a significantly improved order book in 2007. It is expected that orders will be obtained in the North American market which will in time present significant opportunities for the pulley division as the Baisch Pulley brand is established. The business is being affected by the higher steel prices which cannot always be passed onto customers but it is expected that improved cost control and efficiencies will compensate for margin loss.

JOHNSON ACCESS

Johnson Access ("JA") leases powered access platforms to enable work at height. Increased activity in the construction industry and the requirements to become safer and more efficient have provided significant impetus to the business. Access platforms are increasingly seen as a replacement option for scaffolding, ladders and suspended access.

During the year under review the fleet was increased by 18% and further increases were mainly limited by the lack of availability of equipment in the international market.

The buoyant construction industry will continue to provide an underpin for rental demand in the access platform industry.

TECHNOLOGY AND SERVICES

SYNTELL (PTY) LIMITED

Syntell's two core businesses of road safety and revenue collection now make up 85% of the group's contribution with over 75% of revenue in the group being annuity in nature coming from long term contracts. During the year Syntell managed to secure new contracts in both areas as well as broaden its product offering to capture new opportunities and improve its competitive positioning.

Only Traffic and the call centre business have volatile earnings and plans are in place to transform these businesses to bring in more predictability.

With Syntell's positioning as the preferred outsource partner to local government and with the strong emphasis on service delivery, the prospects for the business are healthy for the foreseeable future. Government's attitude towards outsourcing is changing due to the service delivery pressure as well as the loss of key technical skills. Syntell is in the process of concluding new contracts and this should see a period of good growth.

BUSINESS SYTEMS GROUP (AFRICA) ("BSG")

Business Systems Group (Africa) (BSG) enjoyed significant growth over the last financial year based on a continued upturn in the IT market with demand for its services gaining new heights. The strong growth in demand enabled the company to grow its consultant base by 60%, and overall staff base by 40%.

BSG continued with its strategy to build technology assets in the form of software based business solutions and now has several annuity type models in place with clients, while still enjoying continued customer loyalty from its larger corporate clients for its operational consulting services. The company is generating substantial free cash flow, which will be available for expansion opportunities in South Africa and internationally, and for continued investment in the development of software annuity products.

LIMTECH BIOMETRIC SOLUTIONS (PTY) LTD ("LIMTECH")

Limtech was established in August 1999 to take advantage of local and international product opportunities that have arisen within the field of Access Control and Time & Attendance. HCI invested in Limtech in September 2000. Limtech is now a leading provider of CCTV, Access Control and Time & Attendance solutions, specialising in biometric fingerprint recognition.

Limtech prides itself on the local manufacture, assembly, customisation and support for a large product range of hardware and software solutions.

ISILUMKO STAFFING

Isilumko Staffing offers corporates and parastatals services in the area of temporary and flexible staffing. The core areas and functions are in the call centre, administration and office support industries. The Studentwise division also places student members in flexible positions of employment. Looking forward, the company's strong BEE status and the growth in the underlying economy should be favourable for the company's performance.

Group Structure
at 15 September 2006

Hosken

GAMING, HOTELS & LEISURE

- TSOGO INVESTMENT HOLDING COMPANY 36,7% ** *
- VUKANI GAMING CORPORATION 100%
- JOHNNIC HOLDINGS 51%

MEDIA & BROADCASTING

- e.tv 63%
- YIRED 77,5%
- THREE BLIND MICE COMMUNICATIONS 71,3%

TRANSPORT

- GOLDEN ARROW BUS SERVICE 100%

FOOD AND BEVERAGES

- CLOVER 45,4%*

FINANCIAL SERVICES

- METTLE 100%
- HJS ADVISORY SERVICES 100%
- NOAH FINANCIAL INNOVATION 49%

INDUSTRIAL

- JOHNSON CRANE HIRE 50%
- TYLON 100%*** *
- FORMEX ENGINEERING 90%*
- JOHNSON ACCESS 80%

TECHNOLOGY

- BUSINESS SYSTEMS GROUP (AFRICA) 40%
- SYNTELL 50,1%
- LIMTECH 58.9%
- ISILUMKO STAFFING 30.1%

* Holding increased subsequent to year end

** Pending outcome of regulatory approvals and consolidating Johnnic's 19% holding, this holding will increase to 74.7%

*** Sold subsequent to year end

ANALYSIS OF SHAREHOLDERS

Listed below is an analysis of shareholdings extracted from the register of ordinary shareholders at 31 March 2006.

	Number of shareholders	% of total	Number of shares '000	% of total
1 - 1 000 shares	704	61,5	207	0,2
1 001 - 10 000 shares	287	25,1	1 020	0,8
10 001 - 100 000 shares	96	8,4	3 173	2,5
100 001 - 1 000 000 shares	35	3,0	12 963	10,4
Over - 1 000 000 shares	23	2,0	107 360	86,1
	1 145	100,0	124 723	100,0

Type of shareholder	Number of shareholders	% of current shareholders	Number of shares '000	% of issued capital
Public companies	9	0,8	6 069	4,9
Banks	34	3,0	22 992	18,4
Close corporations	23	2,0	80	0,1
Individuals	802	70,0	14 866	11,9
Nominees and trusts	87	7,6	24 081	19,3
Other corporations	85	7,4	43 411	34,8
Pension funds	56	4,9	1 400	1,1
Private companies	48	4,2	10 500	8,4
Share trust	1	0,1	1 324	1,1
	1 145	100,0	124 723	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 2006
Total number of shares traded (000's)	3 452
Total value of shares traded (R'000)	106 955
Market price (cents per share)	
- Closing	4 000
- High	4 400
- Low	2 400
Market capitalisation (R'000)	4 988 927

SIGNIFICANT SHAREHOLDINGS

At 31 March 2006, insofar as HCI is aware, the following members beneficially held directly or indirectly 5% or more of the issued shares:

	2006 Percentage held	2005 Percentage held
Southern African Clothing and Textile Workers Union and associated entities	**40,4**	42,1
JA Copelyn	**10,2**	13,9
MJA Golding	**7,2**	8,4
	57,8	64,4

Shareholder spread	Percentage held		Number of shareholders	
	2006	2005	**2006**	2005
Public	**35,3**	28,7	**1 126**	669
Non-public	**64,7**	71,3	**19**	19
Controlling shareholders	**40,4**	42,1	**2**	2
Directors	**17,8**	22,8	**9**	9
Associates of directors	**5,0**	5,2	**6**	6
Share trust	**1,1**	0,8	**1**	1
Treasury shares	**0,4**	0,4	**1**	1
	100,0	100,0	**1 145**	688

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 four executive and six 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 2005	September 2005	November 2005	March 2006
M J A Golding	Yes	No	Yes	Yes
J A Copelyn	Yes	Yes	Yes	Yes
V M Engel	Yes	Yes	Yes	Yes
V E Mphande	Yes	Yes	No	Yes
M F Magugu	Yes	Yes	Yes	Yes
A M Ntuli	Yes	Yes	Yes	Yes
J G Ngcobo	No	Yes	Yes	Yes
Y Shaik	Yes	Yes	Yes	Yes
A vd Veen*	NA	NA	NA	NA
JA Mabuza**	NA	NA	NA	NA

* Appointed 30 March 2006

** Appointed 26 June 2006

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

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 International Financial Reporting Standards 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 International Standards on Auditing 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 AND RISK MANAGEMENT

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, the group internal audit function, 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 64 have been prepared in accordance with International Finance and Reporting Standards 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 2006 which appear on pages 23 to 64 were approved by the board of directors on 15 September 2006 and are signed on its behalf by :

M A GOLDING
Chairman

J A COPELYN
Chief Executive

Johannesburg
15 September 2006

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 2006, 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

15 September 2006

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 64 for the year ended 31 March 2006. 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.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects the financial position of the company at 31 March 2006, and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

PKF

PKF (JHB) INC
Chartered Accountants (S.A.)
Registered Auditors
Registration number 1994/001166/21
Johannesburg
15 September 2006

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 2006.

NATURE OF BUSINESS

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

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")

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

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

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

Yired (Pty) Ltd ("YFM")

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

The radio station generated R14m profits after tax during the current year. The group has consolidated R5,3m of these profits in these results since the date of acquisition.

GAMING HOTELS AND LEISURE

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

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

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

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

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

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

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

During the year under review the group equity accounted the earnings for the 32,07% interest in TIH which contributed R79 million to group headline earnings. Once the above transaction becomes unconditional, the group will have effective control of the entire Tsogo Sun Group, whose results will in future be fully consolidated into the group's results.

Johnnic Holdings Limited ("Johnnic")

In December 2005 the group successfully acquired control of Johnnic by increasing its interest in Johnnic to 51%. During the year under review, the group increased its interest in Johnnic from an initial 20% to 39%. The group was required by the Securities Regulation Panel to extend an offer to the Johnnic minorities to acquire all of their shares.

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

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

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

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

The group has fully consolidated the results of Johnnic with effect from 1 January 2006. The group's share of Johnnic's profit after tax for the period 1 January 2006 to 31 March 2006 amounted to R4m which has been included in the group's consolidated income statement. Shareholders are referred to Johnnic's results for its performance and activities.

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

FINANCIAL SERVICES

Mettle Limited ("Mettle")

As reported in our interim report, Mettle is in the process of building substantial new businesses under its wing. These include two new start up businesses; Mettle Motor Loans which provides loan finance to purchasers of motor vehicles and Mettle Factors which provides bridging loans to facilitate inter alia fixed property transactions. The debtors books in these businesses are geared and have grown rapidly in the second half of the year under review. Mettle Factors has just recently become profitable. It is expected that these businesses will have excellent growth potential in the coming years and are expected to become meaningful contributors to group profits in future years.

Mettle's traditional business had performed well during the year contributing R31m to group headline earnings due mainly to increased deal flow and substantial cost reductions.

TRANSPORT

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

GABS had continued its exceptional performance during the current year reporting profits after tax of R84m which represents a 56.7% increase when compared to the prior year. Passenger numbers have increased by approximately 5% over the last year. Despite substantial increases in fuel costs during the year, costs have been contained.

As part of its commitment to providing a modernized fleet, the company had invested in eighty four new buses during the current financial year and has committed to acquiring a further twenty five during the next financial year.

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

FOOD AND BEVERAGES

Clover Industries Limited ("Clover")

During the second half of the year, the group subscribed for 25,1% of the total issued ordinary share capital of Clover, as well as 25 million Clover preference shares, for an aggregate subscription consideration of R91,8 million. The group has secured an indefinite option to acquire a further 10% of the ordinary share capital in Clover. This investment broadens the group's strategic investment interests into the food and beverages sector.

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

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

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

INFORMATION TECHNOLOGY

Syntell (Pty) Ltd ("Syntell")

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

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

INDUSTRIAL

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

OTHER

The group disposed of its interests in Sukyae Land (Pty) Ltd and the IQ Business Group (Pty) Ltd during the year under review for R25 million and R19m respectively. The profits on these disposals are included in the investment surplus.

ACCOUNTING POLICIES

The results for the year ended 31 March 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the requirements of the South African Companies Act and the Listings Requirements of the JSE Limited. The group's consolidated financial statements for the year ended 31 March 2006 are the first annual financial statements that comply with IFRS. The group has applied IFRS 1 in preparing these financial statements. The date of the group's transition to IFRS is 1 April 2004, and the financial statements for the year ended 31 March 2005 have been restated accordingly. The accounting policies of the group have been consistently applied with those of the previous financial year except for the effects of changes in respect of IFRS.

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

- Financial instruments previously designated as available for sale were redesignated as financial assets or financial liabilities at fair value through profit and loss.
- The fair value or revaluation of certain items of plant and equipment at, or before the transition date was deemed to be its cost.
- IFRS 3 - Business Combinations, was not applied retrospectively to business combinations which occurred prior to the group's transition to IFRS.

The adoption of IFRS has not resulted in any material adjustments to the prior year and opening retained earnings balances. Certain of the comparative figures have been restated to take into account the effects of the adoption of the following:.

- IFRS 2 - Share based Payments. Share options previously granted and exercised have been valued using the Black Scholes method. This value is amortized on a straight line basis and recognized as an expense over the vesting periods.
- IAS32 Financial Instruments: Disclosure and Presentation. The gross value of financial assets and financial liabilities, which had previous been set off, have now been disclosed separately to comply with this standard. IAS32 now requires that a legal enforceable right of set-off must currently exist at the reporting date for set off to occur.
- IAS 17 – Leases. Operating leases with fixed escalation clauses are now accounted for on a straight line basis over the period of the lease.

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

	Year ending 31 Mar 2006 R'000
Group profit as previously reported	622 664
IFRS	
Effects of share based payments – IFRS2	(1 476)
Effects of IFRS adjustments by associate	(12 903)
Other restatements	
Depreciation	461
Operating leases accounted for on straight -line basis	(1 570)
Other restatements by associate	(1 890)
Group profit as restated	605 286

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

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

AC 501

As reported in the group annual results for the year ended 31 March 2005 ("March 2005 results"), the group had adopted AC 501 with effect from 1 April 2004. In terms of the provisions of AC 501, a deferred tax asset should be recognized for unused STC credits to the extent that it is probable that future taxable profit will be generated against which the STC credits can be utilised.

As a result of the first time application of AC 501 in the March 2005 results , Mettle, a wholly owned subsidiary of the group, had recognized a deferred tax asset in respect of STC credits held by its subsidiaries, as a prior year adjustment. These subsidiaries have historical contractual obligations to on-declare all such dividends received to third party clients, with the result that these credits are not available to the group for any other purpose. A margin is earned over the term of the contracts and the asset does not reflect the economic benefit arising from these transactions to the group. The income on these transactions (dividends) is accounted for on the yield to maturity basis and not on the declaration basis as is implicit in the application of the statement. The effect is that the asset raised and the income statement impact of the fluctuations in the value of the asset over time severely distort the economic reality of the group's results. Therefore, the group has in the March 2005 results presented adjusted headline earnings, which negate the effects of deferred tax assets raised or expensed, as additional disclosure, to more accurately reflect the economic reality of the group's results. Accordingly adjusted headline earnings has, once again, been presented in these results.

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

RESULTS FOR THE YEAR

BASIC EARNINGS

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

HEADLINE EARNINGS

Headline earnings decreased during the year from R352,3 million to R210,3 million. The comparative year included net deferred tax assets raised of R159 million mainly due to the initial recognition of a deferred tax asset in respect of unutilised tax losses in e.tv, as compared to net deferred tax assets of R43,3 million expensed in the current year. Headline earnings also include non recurring transaction costs and raising fees amounting to R72m in respect of the Johnnic offer and Fabvest acquisition. Due to these large abnormal items being included in headline earnings, headline earnings is not comparable to that of the prior year.

ADJUSTED HEADLINE EARNINGS

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

SHARE CAPITAL

Details of the issued share capital and share premium are set out in note 13. 200 000 shares were issued for cash at R25,50 per share, 4 626 981 shares were issued to fund the acquisition of Johnnic Holdings Ltd and 2 000 000 shares were repurchased at R 27 per share.

BORROWING POWERS

There are no limits placed on borrowing in terms of the articles of association. Certain companies in the group have entered into various loan agreements with providers of loan finance. These loan agreements include various covenants and undertakings by companies in the group which may restrict the group's borrowing powers. Details of these covenants and undertakings are available from the registered office of the company. The group's borrowings incresed during the year to fund the acquisition of investments.

DISTRIBUTION TO SHAREHOLDERS

Due to the need to retain funds for the acquisitions and operations of the group the directors have decided not to declare any dividends for the year ended 31 March 2006.

DIRECTORATE

The names of the directors of the company in office at the date of this report are given on page 4 and 5 of this annual report. A van der Veen was appointed as an executive director on 30 March 2006 and JA Mabuza was appointed as a non-executive director on 26 June 2006. In terms of the company's articles of association, A van der Veen, JA Mabuza, JA Copelyn and VE Mphande 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 Investment Holding Company Limited ("Nafcoc") under case number 05/7941 for an order declaring, inter alia, that the transfer of 66 shares in 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 opposed the application and following the hearing of the application, the Court referred the matter to trial. Since then the matter has largely been stationary.

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 on 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.

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 fulfilment of the conditions to the Fabvest acquisition and/or HCI's interests in the Tsogo group. The quantum of the above cannot be determined at this stage.

Adequate provisions have been made for the legal fees relating to the abovementioned litigation.

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 2006 or the financial position at that date.

Balance Sheets

as at 31 March 2006

		Group		Company	
		2006	2005	**2006**	2005
	Notes	**R'000**	R'000	**R'000**	R'000
Assets					
Non-current assets		**7 099 468**	7 593 216	**1 354 765**	1 158 290
Property plant and equipment	1	**795 130**	459 301	**-**	-
Investment properties	2	**154 235**	13 729	**-**	-
Intangible assets	3	**1 876**	865	**-**	-
Investments	4	**1 025 039**	761 144	**20 433**	38 606
- Associated companies		**904 769**	314 014	**10 367**	19 965
- Listed companies		**-**	315 578	**-**	1 862
- other		**120 270**	131 552	**10 066**	16 779
Subsidiary companies	5	**-**	-	**1 334 332**	1 119 684
Goodwill	6	**82 683**	-	**-**	-
Operating lease equalisation asset		**3 400**	-	**-**	-
Deferred taxation	18	**357 664**	415 538	**-**	-
Long term receivables	7	**56 520**	13 793	**-**	-
Financial assets	8	**4 622 921**	5 928 846	**-**	-
Current assets		**3 441 241**	6 661 292	**5 636**	40 669
Inventories	9	**69 915**	56 484	**-**	-
Programme rights	10	**230 565**	263 536	**-**	-
Financial assets	8	**1 568 572**	5 526 574	**-**	-
Trade and other receivables	11	**783 706**	267 220	**2 739**	13 367
Taxation		**6 404**	841	**483**	770
Bank balances and deposits	12	**782 079**	546 637	**2 414**	26 532
Total assets		**10 540 709**	14 254 508	**1 360 401**	1 198 959
Equity and liabilities					
Capital and reserves		**2 586 291**	1 516 314	**1 308 346**	1 182 502
Ordinary share capital	13	**30 721**	29 499	**31 181**	29 868
Share premium	13	**628 951**	534 685	**641 645**	545 630
Other reserves	14	**1 805**	1 476	**-**	-
Accumulated profits		**1 089 952**	823 853	**635 520**	607 004
Equity attributable to equity holders of the parent		**1 751 429**	1 389 513	**1 308 346**	1 182 502
Minority interest	15	**834 862**	126 801	**-**	-
Non-current liabilities		**5 431 328**	6 217 409	**16 906**	3 360
Financial liabilities	16	**4 666 651**	5 987 449	**-**	-
Operating lease equalisation liability		**22 300**	-	**-**	-
Long-term loans	17	**688 640**	196 053	**-**	-
Amounts owing to subsidiary companies		**-**	-	**16 906**	3 360
Deferred taxation	18	**53 737**	33 907	**-**	-
Current liabilities		**2 523 090**	6 520 785	**35 149**	13 097
Trade and other payables	19	**462 373**	666 457	**35 040**	13 097
Financial liabilities	16	**1 571 325**	5 529 989	**-**	-
Current portion of long term loans	17	**316 523**	192 650	**-**	-
Taxation		**17 627**	10 980	**-**	-
Short term loans	20	**25 676**	10 034	**-**	-
Forward exchange contracts		**16 307**	20 500	**-**	-
Provisions	21	**69 112**	59 592	**-**	-
Post retirement medical benefits	22	**30 823**	28 350	**-**	-
Bank overdrafts		**13 324**	2 233	**109**	-
Total equity and liabilities		**10 540 709**	14 254 508	**1 360 401**	1 198 959

Income Statements

for the year ended 31 March 2006

		Group		Company	
		2006	2005	**2006**	2005
	Notes	**R'000**	R'000	**R'000**	R'000
Revenue	24	**2 111 982**	1 348 287	**–**	–
Cost of sales		**(1 136 631)**	(736 047)	**–**	–
Gross margin		**975 351**	612 240	**–**	–
Staff costs		**(187 984)**	(196 467)	**–**	–
Depreciation		**(67 204)**	(58 396)	**–**	–
Other expenses		**(359 397)**	(263 184)	**(20 010)**	(7 360)
Net funding income		**14 243**	65 135	**–**	–
Interest income		**625 179**	663 534	**–**	–
Interest expense		**(450 872)**	(989 088)	**–**	–
Preference dividend income		**424 531**	983 940	**–**	–
Preference dividend expense		**(584 595)**	(593 251)	**–**	–
Finance income	25	**106 954**	50 627	**110 553**	160 130
Dividends		**7 736**	5 369	**108 499**	154 957
Interest		**99 218**	45 258	**2 054**	5 173
Share of associated companies profits		**152 099**	67 249	**–**	–
Negative goodwill on acquisition of subsidiary		**8 968**	102 470	**–**	–
Investment surplus	26	**3 177**	138 903	**7 218**	185 397
Fair value adjustments of investment properties		**11 506**	–	**–**	–
Fair value adjustments of investments		**1 593**	5 505	**–**	255
(Impairment) / recoupment of goodwill and investments	27	**(225)**	(9 606)	**(67 946)**	361 928
Finance costs	28	**(171 710)**	(11 760)	**(717)**	(17)
Profit before taxation	29	**487 371**	502 716	**29 098**	700 333
Taxation	30	**(200 889)**	221 683	**(582)**	(934)
Group profit		**286 482**	724 399	**28 516**	699 399
Attributable to:					
Equity holders of the parent		**231 195**	605 286		
Minority interest		**55 287**	119 113		
		286 482	724 399		
Earnings per share (cents)	31				
- Basic		**192,90**	572,62		
- Headline		**175,49**	333,36		
– Adjusted headline		**272,06**	183,66		
Diluted earnings per share	31				
- Basic		**188,39**	511,66		
- Headline		**171,38**	297,87		
– Adjusted headline		**265,70**	164,11		

Statements of Changes in Equity

for the year ended 31 March 2006

	Share Capital R'000	Share premium R'000	Non-distributable R'000	Accumulated profits R'000	Share based payment R'000	Minority interest R'000	Total R'000
GROUP							
Balances at 31 March 2004	25 755	484 493	84 071	184 725	–	133 528	912 572
Share capital and premium							
Shares issued	3 749	52 381	–	–	–	–	56 130
Treasury shares acquired by subsidiary	(5)	(2 088)	–	–	–	–	(2 093)
Share issue costs	–	(101)	–	–	–	–	(101)
Current operations							
Profit for the year	–	–	–	605 286	–	119 113	724 399
Equity settled share-based payments	–	–	–	–	1 476	–	1 476
Currency translation differences	–	–	224	–	–	–	224
Negative goodwill on acquistion of subsidiary	–	–	–	49 126	–	–	49 126
Transfer of fair value adjustments on realisation	–	–	–	13 750	–	–	13 750
Effects of changes in holding	–	–	–	–	–	(125 840)	(125 840)
Ordinary dividend	–	–	–	(113 329)	–	–	(113 329)
Transfers on realisation	–	–	(84 295)	84 295	–	–	–
Balances at 31 March 2005	29 499	534 685	–	823 853	1 476	126 801	1 516 314
Share capital and premium							
Shares issued	1 813	149 894	–	–	–	–	151 707
Shares repurchased	(500)	(53 500)	–	–	–	–	(54 000)
Treasury shares acquired by subsidiary	(91)	(1 749)	–	–	–	–	(1 840)
Share issue costs	–	(379)	–	–	–	–	(379)
Current operations							
Profit for the year	–	–	–	231 195	–	55 287	286 482
Share of pre-acquisition profit of subsidiary	–	–	–	34 904	–	–	34 904
Equity settled share-based payments	–	–	–	–	2 531	–	2 531
Foreign currency translation differences	–	–	(2 202)	–	–	–	(2 202)
Minority interest on acquisition of subsidiaries	–	–	–	–	–	660 473	660 473
Capital reductions and dividends	–	–	–	–	–	(7 699)	(7 699)
Balances at 31 March 2006	30 721	628 951	(2 202)	1 089 952	4 007	834 862	2 586 291

Statements of Changes in Equity

for the year ended 31 March 2006

	Share Capital R'000	Share premium R'000	Accumulated profits R'000	Total R'000
COMPANY				
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 costs	–	(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
Share capital and premium				
Shares issued	1 813	149 894	–	151 707
Share issue costs	–	(379)	–	(379)
Shares repurchased	(500)	(53 500)	–	(54 000)
Current operations				
Profit for the year	–	–	28 516	28 516
Balances at 31 March 2006	31 181	641 645	635 520	1 308 346

Cash flow Statement

for the year ended 31 March 2006

		Group		Company	
		2006	2005	**2006**	2005
	Notes	**R'000**	R'000	**R'000**	R'000
Cash flows from operating activities		**294 575**	157 002	**126 602**	58 165
Cash generated (utilised) by operations	32.1	**462 742**	126 117	**95 043**	(10 110)
Investment income		**106 954**	160 130	**-**	160 130
Changes in working capital	32.2	**5 686**	35 160	**32 571**	21 908
Cash generated (utilised) by operating activities		**575 382**	321 407	**127 614**	171 928
Finance costs	28	**(171 710)**	(11 760)	**(717)**	(17)
Taxation paid	32.3	**(101 398)**	(39 316)	**(295)**	(248)
Ordinary dividend paid		**(7 699)**	(113 329)	**-**	(113 498)
Cash flows from investing activities		**(1 441 057)**	(364 503)	**(124 042)**	(115 752)
Business combinations	32.4	**(579 233)**	(257 420)	**-**	-
Investment in:					
-Subsidiary companies		**-**	-	**(145 045)**	(170 766)
-Associated companies		**(239 814)**	(105 253)	**9 598**	12 223
-Listed companies		**-**	(1 031)	**-**	-
-Other		**(39)**	(94 990)	**9 538**	42 791
Short term loans advanced		**(384 750)**	-	**-**	-
Increase in long term receivables		**(57 964)**	(19 384)	**-**	-
Proceeds on disposal of investments		**43 523**	237 078	**1 867**	-
Intangible assets acquired		**(1 753)**		**-**	-
Property plant and equipment:					
-Additions		**(231 313)**	(152 101)	**-**	-
-Disposals		**10 286**	28 598	**-**	-
Cash flows from financing activities		**594 572**	137 445	**(26 787)**	42 525
Ordinary shares issued and treasury shares sold		**24 383**	56 029	**23 146**	40 289
Ordinary shares repurchased		**(55 840)**	(2 093)	**(54 000)**	-
Short term loans raised		**15 642**	1 954	**-**	-
Change in minority shareholders		**-**	(73 118)	**-**	-
Long term funding raised		**610 387**	154 673	**4 067**	2 236
Cash and cash equivalents					
Movements		**(551 910)**	(70 056)	**(24 227)**	(15 062)
At beginning of year		**544 404**	404 082	**26 532**	41 594
On business combinations		**776 261**	210 378	**-**	-
At end of year	32.5	**768 755**	544 404	**2 305**	26 532

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 have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 at fair value through profit or loss. The accounting policies have been consistently applied in all material respects except as stated below.

The group's financial statements for the year ended 31 March 2006 are the first annual financial statements that comply with IFRS. The group has applied IFRS 1, 'First Time Adoption of International Financial Reporting Standards', in preparing these financial statements. The group's transition date is 1 April 2004. The group's opening IFRS balance sheet at that date has been restated to reflect all existing IFRS statements in effect on 31 March 2006. IFRS 1 allows a number of exemptions to this retrospective application on adoption of IFRS.

Exemptions from full retrospective application elected by the group

The following optional exemptions from full retrospective application were applicable to the group:

(a) Designation of financial assets and financial liabilities exemption

The group reclassified various available-for-sale investments as financial assets at fair value through profit and loss. This had no effect on profit for the current or prior year as these investments were already recorded at fair value.

(b) Fair value as deemed cost exemption

The group has not elected to use fair value as deemed cost to measure certain items of property, plant and equipment as at 1 April 2004.

(c) Business combination exemption

The group has applied the business combinations exemption in IFRS 1. It has therefore not restated business combinations that took place prior to the 1 April 2004 transition date.

(d) Cumulative translation differences exemption

The group decided not to apply the cumulative translation differences exemption. Therefore, previously accumulated currency translation reserves were not set to zero at 1 April 2004.

(e) Exemption from restatement of comparatives for IAS 32 - Financial Instruments:: Disclosure and Presentation and IAS 39 - Financial Instruments:: Recognition and Measurement

The group did not take this exemption from restating comparatives.

The following exemptions did not apply to the group:

- Compound financial instruments exemption
- Employee benefits exemption
- Assets and liabilities of subsidiaries, associates and joint ventures exemption
- Insurance contracts exemption
- Decommissioning liabilities included in the cost of property, plant and equipment exemption
- Fair value measurement of financial assets or liabilities at initial recognition
- Mining exemption
- Leasing arrangements exemption

Exceptions from full retrospective application followed by the group

The group has applied the following mandatory exceptions from retrospective application.

(a) Derecognition of financial assets and liabilities exception
(b) Hedge accounting exception
(c) Estimates exception
(d) Assets held for sale and discontinued operations exception

Standards, interpretations and amendments to published standards that are not yet effective:

IAS 39 (Amendment), The Fair Value Option has been published and is relevant for the group's accounting periods beginning on or after 1 April 2006 and has the following effect:

This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The group will evaluate if it will be able to comply with the amended criteria for the designation of financial instruments, at fair value through profit and loss, for annual periods beginning 1 April 2006.

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.

Property, plant and equipment is initially recognised at cost. Transaction costs are included in the initial measurement. Subsequent costs are recognised to the extent that it is probable that the future economic benefits that are associated with the subsequent expenditure will flow to the entity, and the cost can be measured reliably. If a replacement part is recognised as an asset, the carrying amount of the replaced part is derecognised.

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 a component basis) on the straight line basis over their estimated economic lives as follows :

Broadcast and studio equipment and frequencies	5 years
Plant and machinery	5 - 12½ years
Buildings	10 - 50 years
Video and studio equipment	4 - 5 years
Computer equipment and software	2 - 3 years
Furniture, fittings and office equipment	5 - 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

Residual values and estimates of useful lives are reassessed annually

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 (qualifying assets) 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.

3. ASSOCIATED COMPANIES

Investments in operations, which are not subsidiaries, 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. Goodwill is included in the carrying amount of the asset.

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. In the absence of a legal or constructive obligation to make any payments on behalf of an associate all of payments actually being made on behalf of the associate, losses are recognised only to the extent that reduces the carrying value of the investment 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 fair value less costs to sell or value in use.

4. FOREIGN SUBSIDIARIES

Foreign operations

The assets and liabilities in the financial statements of foreign subsidiaries, which are classified as foreign operations 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.

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, allocated to the cash generating units that are expected to benefit from the aquisition and is tested for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a cash generating unit 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 representing estimated market value. 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. INTANGIBLE ASSETS

Other intangible assets

Other intangible assets are initially stated at cost over their estimated useful lives:

Software development costs	3 years

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 date, 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 fair value less costs to sell 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: at fair value through profit or loss, held-to-maturity, loans and receivables 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.

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 fair value plus transaction costs, except in the case of those financial instruments classified as at fair value through profit or loss.

At fair value through profit or loss

Financial instruments that 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, are classified as at fair value through profit or loss.

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, discounted 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 investments classified as at fair value of investments classified as at fair value through profit or loss 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.

Unrealised gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognised in equity. When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

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 fair value. 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 original 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 fair value less principal repayments and amortisations. The carrying amount of trade payables approximates fair value.

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 fair 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 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.

Share based payments

The group issues equity settled share based payments to employees. Equity settled share based payments are measured at fair value at the date of grant. The fair value determined on the date of grant is expensed on a straight-line basis over the vesting period. Fair value is measured using the Black Scholes model.

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.

20. SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

21. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements on carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Balances 31 March 2006				
Broadcast studios, equipment and frequencies	**49 892**	46 385		
Land and buildings	**339 302**	118 687		
Plant and machinery	**54 051**	43 330		
Buses	**271 971**	204 250		
Computer equipment	**5 917**	3 801		
Computer software	**672**	158		
Furniture and fittings	**17 494**	6 038		
Leasehold improvements	**5 585**	2 335		
Motor vehicles	**9 166**	7 813		
Access platform	**21 237**	16 533		
Gaming machines	**19 843**	9 971		
	795 130	459 301		

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

Encumberances

Mortgages are registered over access platforms, certain plant and machinery and certain land and buildings as security for the loans details in note 17

The carrying value of assets encumbered is R298,2 million (2005 : R 177,9 million)

2. INVESTMENT PROPERTIES

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Investment properties consist of:				
Bare dominiums	**25 235**	13 729		
Other investment properties	**129 000**	–		
	154 235	13 729		

Investments properties are stated at fair value. The latest external valuations, of the bare dominiums, were at 31 January 2006. Bonds are registered over the bare dominiums, other investment properties are stated at fair value on acquisition in December 2005.

Details of investment properties are available at the registered office of the company.

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Reconciliation of carrying value				
At beginning of year	**13 729**	11 620		
Fair value adjustments	**11 506**	2 109		
Business combinations	**129 000**	–		
At end of year	**154 235**	13 729		

3. INTANGIBLE ASSETS

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Software development costs	**1876**	865		
Reconciliation of carrying value				
At beginning of year	**865**	–		
Additions	**1 753**	865		
Business combinations	**62**	–		
Ammortisation	**(804)**	–		
At end of year	**1 876**	865		

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
4. INVESTMENTS				
4.1 ASSOCIATED COMPANIES				
Unlisted				
Johnson Crane Hire (Pty) Ltd				
500 (2005 : 445) shares at cost				
- 50% (2005 : 44,5%) interest	**15 487**	15 487	**–**	–
Equity accounted earnings	**7 864**	2 812	**–**	–
Loan receivable	**3 365**	4 242	**–**	–
	26 716	22 541	**–**	–
Sukyae-Land (Pty) Ltd				
425 shares at cost - 42,5% interest	**–**	36 232	**–**	–
Equity accounted earnings	**–**	(5 703)	**–**	–
	–	30 529	**–**	–
Tsogo Investment Holding Company (Pty) Ltd				
766 (2005 : 481) shares at cost				
- 51% (2005 : 32,1%) interest	**451 409**	152 609	**–**	–
Equity accounted earnings	**189 515**	62 089	**–**	–
	640 924	214 698	**–**	–
Tsogo Sun KwaZulu-Natal (Pty) Ltd				
Shares at cost - 28,6% interest	**29 300**	–	**–**	–
Equity accounted earnings	**37 000**	–	**–**	–
	66 300	–	**–**	–
Clover Industries Limited				
19 303 856 ordinary shares at cost				
- 0,84% economic interest	**25 000**	–	**–**	–
35 805 427 preference shares at cost				
- 41,9% economic interest	**95 855**	–	**–**	–
Equity accounted earnings	**11 838**	–	**–**	–
	132 693	–	**–**	–
Minor associates*	**38 136**	46 246	**10 367**	19 965
Total associated companies	**904 769**	314 014	**10 367**	19 965
Directors' valuation of associated companies	**2 145 529**	1 160 506		

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

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
4.2 LISTED COMPANIES				
Shares at market value				
Johnnic Holdings Ltd - 34 500 623 shares (now a subsidiary)	**–**	311 217	**–**	–
Other	**–**	4 361	**–**	1 862
	–	315 578	**–**	1 862

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

4.4 SUMMARISED FINANCIAL INFORMATION OF SIGNIFICANT ASSOCIATES

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

Financial information utilised above
Johnson Crane Hire (Pty) Limited - Year ended 30 June 2006
Tsogo Investment Holding Company (Pty) Limited - Year ended 31 March 2006
Clover Industries Limited - Interim 6 months ended 31 December 2005

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
5. SUBSIDIARY COMPANIES				
Shares at cost less impairment			**579 088**	521 034
Amounts owing by subsidiary companies			**755 244**	598 650
			1 334 332	1 119 684
Full details of subsidiary companies are provided on pages 63 and 64.				
6. GOODWILL				
Arisng on acquisition of shares in subsidiaries	**82 683**	–		
Reconciliation of carrying value				
At beginning of year	**–**	9 606		
Business combinations	**82 683**	–		
Impairment	**–**	(9 606)		
At end of year	**82 683**	–		
7. LONG TERM RECEIVABLES				
Instalment receivables	**47 625**	–	**–**	–
Other long term receivables	**8 895**	13 793	**–**	–
	56 520	13 793	**–**	–
Details of instalment receivables				
Gross investment in leases	**79 106**	–	**–**	–
Unearned finance income	**(18 565)**	–	**–**	–
Net investment in leases	**60 541**	–	**–**	–
Provision for impairment of instalment receivables	**(1 816)**	–	**–**	–
Present value of minimum lease payments	**58 725**	–	**–**	–
Short term portion	**(11 100)**	–	**–**	–
	47 625	–	**–**	–

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

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

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

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

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

Maturity date for each class of financial asset:

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

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

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

Range of effective rates for each class of financial assets:

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

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

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
9. INVENTORIES				
Raw materials	**28 074**	23 341	**–**	–
Work in progress	**13 585**	11 646	**–**	–
Finished goods	**12 464**	11 833	**–**	–
Consumables and spares	**16 965**	11 485	**–**	–
Provision for obsolete inventory	**(1 473)**	(1 821)	**–**	–
	69 615	56 484	**–**	–

No inventory is held at net realisable value

Encumberances

Certain inventories have been ceded as security for loans due. Refer note 17.

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
10. PROGRAMME RIGHTS				
Television programmes				
-International	**191 173**	239 308	**–**	–
-Local	**39 392**	24 228	**–**	–
	230 565	263 536	**–**	–
Reconciliation of carrying value				
At beginning of year	**263 536**	216 247	**–**	–
Additions	**117 395**	207 845	**–**	–
Ammortised through cost of sales	**(150 366)**	(160 556)	**–**	–
At end of year	**230 565**	263 536	**–**	–

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
11. TRADE AND OTHER RECEIVABLES				
Trade receivables	**360 293**	189 785	**–**	–
Other receivables	**17 115**	71 844	**2 739**	13 367
Current portion of long term receivables	**13 201**	5 591	**–**	–
Short term loans	**393 097**	–	**–**	–
	783 706	267 220	**2 739**	13 367

Encumberances

Certain trade receivables have been ceded as security for loans due. Refer note 17.

12. PLEDGED DEPOSITS

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

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

13. ORDINARY SHARE CAPITAL

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

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

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

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

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

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

Maturity date for each class of financial liabilities:

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

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

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

Range of effective rates for each class of financial assets:

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

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

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

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Unsecured				
Loan bearing interest at 11%, payable quarterly in arrear, with capital due on 15 December 2009.	**85 000**	85 000		
Loan payable in monthly instalments of R 612 000 (2005 : R 612 000) inclusive of interest at 14,66%	**8 866**	14 462		
Loan bearing interest at prime plus 12%	**4 882**	–		
Interest free liablilities due by 30 June 2006	**7 260**	13 010		
Interest free liabilities with no fixed date of repayment	**38 002**	149 147		
Other	**761**	–		
	1 005 163	388 703		
Current portion	**(316 523)**	(192 650)		
	688 640	196 053		
Carrying value of assets encumbered as security				
Land and buildings	**74 293**	33 687		
Platforms	**21 237**	16 533		
Buses	**169 848**	90 970		
Trade receivables	**12 636**	–		
Inventory	**6 752**	6 771		
Plant, equipment and vehicles	**32 791**	29 973		
	317 557	177 934		

18. DEFERRED TAXATION

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Movements in deferred taxation				
At beginning of year	**380 614**	150 725		
Business combination	**22 683**	(32 859)		
Revaluation of buses and land and buildings	**–**	11 982		
Change in rate to 29%	**–**	1 095		
Asset revaluations	**(16 169)**	–		
Property, plant and equipment	**(2 451)**	(3 193)		
Provisions and inventory	**570**	9 005		
Assessed losses	**(40 047)**	299 771		
Other	**1 863**	(1 863)		
Application of AC 501	**(43 136)**	(53 032)		
At end of year	**303 927**	381 631		
Analysis of deferred taxation				
Fair value adjustment of investments	**(3 479)**	(2 984)		
Unrealised (losses) gains	**(4 821)**	(6 702)		
Application of AC 501	**71 414**	114 550		
Assessed losses	**280 589**	299 771		
Foreign differences and other	**(6 680)**	(3 795)		
Operating lease equalisation liability	**6 555**	–		
Revaluation of buses	**–**	(20 705)		
Asset revaluations	**(20 569)**	–		
Accelerated depreciation for tax purposes	**(43 910)**	(21 087)		
Provsions and inventory	**24 828**	22 583		
	303 927	381 631		
Composition of deferred taxation				
Deferred taxation assets	**357 664**	415 538		
Deferred taxation liabilities	**(53 737)**	(33 907)		
	303 927	381 631		

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

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

Repurchase of service

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

22. POST RETIREMENT MEDICAL BENEFITS

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Balance at beginning of year	**28 350**	27 315	**–**	–
Current service cost	**498**	498	**–**	–
Interest cost	**2 551**	1 956	**–**	–
Expected employer benefit payments	**(576)**	(1 419)	**–**	–
Balance at end of year	**30 823**	28 350	**–**	–

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

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

23. COMMITMENTS

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Operating leases				
Future leasing charges for premises				
Payable within one year	**3 305**	5 080	**–**	–
Payable two to five years	**6 436**	6 991	**–**	–
	9 741	12 071	**–**	–
Capital expenditure				
Contracted for buses	**20 000**	–	**–**	–

It is intended that this expenditure will be funded from bank finance.

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

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

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000

31. EARNINGS PER SHARE

Earnings per share is based on the weighted average number of 119 853 314 ordinary shares in issue (2005 : 105 703 554).

Diluted earnings per share is based on the weighted average number of 122 721 634 ordinary shares in issue (2005 : 118 299 169)

In order to more accurately reflect the economic reality of the group's results adjusted headline profit and earnings per share are also disclosed.

Adjusted headline earnings exclude all abnormal profits and losses including non recurring transaction costs and raising fees and the effects of net deferred tax assets raised or expensed in respect of unused tax losses and available STC credits.

Reconciliation of headline earnings:

	Group 2006 R'000	Group 2005 R'000
Profit attributable to equity holders of the parent	**231 195**	605 286
Adjusted for equity holders of the parent's share of:		
Investment surplus	**(3 151)**	(134 456)
Goodwill impaired	**–**	9 606
Fair value adjustments of investment properties	**(9 837)**	(2 109)
Negative goodwill on acquisition of subsidiary	**(8 476)**	(102 822)
Impairment of assets	**1 673**	1 740
Profit on sale of assets	**(1 079)**	(24 869)
Headline profit	**210 325**	352 376
Deferred tax in respect of losses	**(23 891)**	(198 014)
Deferred tax in respect of STC credits	**67 163**	39 774
Non-recurring transaction costs and raising fees	**72 479**	–
Adjusted headline profit	**326 076**	194 136

32. NOTES TO THE CASH FLOW STATEMENT

32.1 CASH GENERATED BY OPERATIONS

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Profit before taxation	**487 371**	502 716	**29 098**	700 333
Depreciation	**67 204**	58 346	**–**	–
Amortisation of intangibles	**804**	–	**–**	–
Share based payments	**2 531**	1 476	**–**	–
Profit on disposal of property plant and equipment	**–**	(23 129)	**–**	–
Impairment of goodwill and investments	**225**	3 268	**67 946**	(361 785)
Equity accounted profits retained	**(142 435)**	(66 742)	**–**	–
Negative goodwill released on acquisition of interest in subsidiaries	**(8 968)**	(102 470)	**–**	–
Forex translation	**(2 202)**	224	**–**	–
Fair value adjustments	**(13 099)**	(5 505)	**–**	–
Investment income				
-Dividends	**(7 736)**	(154 958)	**–**	(154 957)
-Interest	**(99 218)**	(5 172)	**–**	(5 173)
Finance costs	**171 710**	11 760	**717**	–
Trading activities	**–**	(124)		17
Investment surplus	**6 452**	(123 426)	**(2 718)**	(185 795)
Movement in provisions	**1 178**	757	**–**	(2 750)
Operating lease equalisation asset	**(3 400)**	–	**–**	–
Other non cash items	**2 325**	32 692	**–**	–
Prior year minority adjustment	**–**	(3 596)	**–**	–
	462 742	126 117	**95 043**	(10 110)

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000

32.2 CHANGES IN WORKING CAPITAL

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Inventory	**(12 831)**	(30 084)	**–**	–
Programming rights	**32 971**	(47 288)	**–**	–
Trade and other receivables	**(31 808)**	861	**10 628**	10 714
Prepayments	**–**	(4 752)	**–**	–
Trade and other payables	**37 082**	100 619	**21 943**	11 194
Forex contracts	**(4 193)**	4 709	**–**	–
Net financial liabilities	**(15 535)**	11 095	**–**	–
	5 686	35 160	**32 571**	21 908

32.3 TAXATION PAID

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Unpaid at beginning of year	**(10 139)**	(5 862)	**770**	1 456
Charged to the income statement	**(200 889)**	220 666	**(582)**	(934)
Deferred tax movement	**102 252**	(253 058)		–
Business combinations	**(3 845)**	(11 201)		–
Unpaid at end of year	**11 223**	10 139	**(483)**	(770)
	(101 398)	(39 316)	**(295)**	(248)

32.4 BUSINESS COMBINATIONS/DISPOSALS

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

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

33. HCI EMPLOYEE SHARE OPTION SCHEME

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

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

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

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

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

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

Options granted to executive directors

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

34. DIRECTORS' SHAREHOLDINGS

Directors' shareholdings

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

31 March 2005	Direct beneficial Number	Direct beneficial Percentage holding	Indirect beneficial Number	Indirect beneficial Percentage holding
Executive directors				
JA Copelyn	8 327 709	7,0	8 269 809	6,9
MJA Golding	7 541 109	6,3	2 480 733	2,1
VE Mphande	–	–	–	–
Non-executive directors				
VM Engel	–	–	–	–
MF Magugu	–	–	–	–
JG Ngcobo	14 833	–	–	–
AM Ntuli	3 500	–	–	–
Y Shaik	–	–	–	–
Total	15 887 151	13,3	10 750 542	9,0

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

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

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

35. DIRECTORS EMOLUMENTS

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

* appointed 30 March 2006

36. SEGMENT REPORT

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

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

Taxation is included in other as follows:

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

2005						
Media & broadcasting	575 764	129 418	727 930	382 526	28 159	13 261
Financial services	38 640	28 424	11 608 360	11 588 688	10 322	11 158
Gaming hotels & leisure	22 284	40 934	542 772	–	7 855	2 265
Information technology	–	1 938	22 486	–	–	–
Transport	434 131	74 084	376 589	186 156	48 513	18 727
Industrial	276 860	24	187 388	133 326	57 220	12 916
Other	608	449 577	788 983	447 498	32	69
	1 348 287	724 399	14 254 508	12 738 194	152 101	58 396

Taxation is included in other as follows:

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

Amounts applicable to associates included above :

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

37. RELATED PARTY TRANSACTIONS

Related parties include:

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

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

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

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

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

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

37.4 Key mangement compensation was paid as follows:

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

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

38. CONTINGENT LIABILITIES

Group

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

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

Company

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

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

39.1 FOREIGN EXCHANGE RISK

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

39.2 INTEREST RATE RISK

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

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

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

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

39.3 CREDIT RISK

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

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

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

39.4 MARKET / PRICE RISK MANAGEMENT

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

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

39.5 LIQUIDITY RISK

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

39.6 LEGAL RISK MANAGEMENT

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

39.7 HEDGES OF FOREIGN EXCHANGE RISKS

	Group 2006 R'000	Group 2005 R'000
Outstanding hedges as at 31 March 2006 for all currencies, by nature are as follows:		
(In Rands, translated using exchange rates as of 31 March 2006)		
Instruments that hedge operating transactions:		
-Forward sales contracts (total Rand value)	**84 962**	158 170

Foreign currency cash exposure
-all United States dollars

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

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

These financial statements for the year ended 31 March 2006 are the group's first annual financial statements that comply with International Financial Reporting Standards ("IFRS"). The group has applied the provisions of the IFRS 1 in preparing these financial statements.

The date of the group's transition to IFRS is 1 April 2004, and the financial statements for the year ended 31 March 2005 have been restated accordingly. The accounting polices of the group have been consistently applied with those of the previous financial year except for the effects of changes in respect of IFRS.

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

- Financial instruments previously designated as available for sale were redesignated as financial assets at fair value through profit and loss.
- The fair value or revaluation of certain items of plant and equipment at, or before the transition date was deemed to be its cost
- IFRS 3 - Business Combinations, was not applied retrospectively to business combinations which occurred prior to the group's transition to IFRS.

The adoption of IFRS has not resulted in any material adjustments to the opening retained earnings balances at 1 April 2004. Certain of the comparative figures have been restated to take into account the effects of the adoption of the following:

- IFRS 2 - Share-based Payments. Share options previously granted and exercised have been valued using the Black Scholes method. This value is amortised on a straight line basis and recognised as an expense over the vesting periods.
- IAS 32 - Financial Instruments: Disclosure and Presentation. The gross value of financial assets and liabilities, which had previously been set off, have now been disclosed seperately to comply with this standard.
- IAS 17 - Leases. Operating leases with fixed escalation clauses are now accounted for on a straight-line basis over the duration of the lease.

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

Reclassification of prior year figures

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

41. BUSINESS COMBINATIONS AND DISPOSALS

41.1 THE ACQUISITION OF 51% OF JOHNNIC HOLDINGS LIMITED

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

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

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

41.2 OTHER BUSINESS COMBINATIONS AND DISPOSALS

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

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

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

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

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

	Johnnic Holdings R'000	Other combinations R'000	Total R'000
Fair value of net assets acquired	667 488	82 773	750 261
Carrying value of investment at date that it became a subsidiary	–	(9 179)	(9 179)
Pre effective date income	(34 904)	–	(34 904)
Purchase consideration settled by issue of shares	(126 945)	–	(126 945)
Purchase consideration settled by cash per cash flow statement	505 639	73 594	579 233
Cash and cash equivalents in subsidiary acquired	(746 600)	(29 894)	(776 494)
Cash outflow /(inflow) on acquisition	(240 961)	43 700	(197 261)
The assets and liabilities arising from the acquisition are as follows:			
Cash and cash equivalents	746 600	29 894	776 494
Property plant and equipment	175 200	14 923	190 123
Investment properties	129 000	–	129 000
Intangible assets	–	62	62
Goodwill and negative goodwill	22 242	51 473	73 715
Long term receivables	–	4 507	4 507
Inventories	–	7 371	7 371
Deferred tax asset	22 000	683	22 683
Investments	254 000	–	254 000
Trade receivables	47 000	40 711	87 711
Operating lease equalisation liability	(22 300)	–	(22 300)
Borrowings	(3 000)	(22 944)	(25 944)
Trade payables	(60 800)	(14 738)	(75 538)
Taxation payable	–	(3 845)	(3 845)
Provisions	(1 200)	(9 615)	(10 815)
Net assets	1 308 742	98 482	1 407 224
Minority interest	(641 254)	(15 709)	(656 963)
Net assets acquired	667 488	82 773	750 261

41.4 DETAILS OF THE NET ASSETS DISPOSED OF

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

Interests in Principal Subsidiary Companies

for the year ended 31 March 2006

ANNEXURE A

	Issued share capital R'000	Effective Interest %	2006 Shares R'000	2006 Loans R'000	2005 Shares R'000	2005 Loans R'000
Shares and loans are stated at cost less impairment						
Investment holding companies						
Almania Investments (Proprietary) Limited	*	100	1	13 652	1	11 913
Ancestral Investments (Proprietary) Limited	*	100	*	(17)	*	(17)
Descarte Investments No. 8 (Proprietary) Limited	2	100	574	(574)	574	(574)
Durban Add-Ventures Limited	61 500	36	**		**	
Flaghigh Investments (Proprietary) Limited	*	100	35 000	39 854	35 000	39 854
HCI Properties (Proprietary) Limited	*	100	*		*	
Johnnic Holdings Limited	*	51	**			
Johnnies Strategic Holdings Limited	*	51	**			
Lennings Limited	7 000	51	**			
Mercanto Investments (Proprietary) Limited	*	100	*	126 944	*	–
Mettle Food & Beverages (Proprietary) Limited	*	100	*	–		
Merilyn Investments (Proprietary) Limited	25 002	100	25 065	13 660	25 065	24 685
Millenium Casino Holdings Limited	*	51	**		**	
Move On Up 104 (Proprietary) Limited	*	100	*	–	*	–
Ritzshelf 72 (Proprietary) Limited	*	100	2 256	9 226	*	9 205
Rowan Tree 4 (Proprietary) Limited	*	100	3 477	(597)	*	20 000
Sabido Investments (Proprietary) Limited	1 021	63	156 974	66 998	156 974	242 236
Sagewise 118 (Proprietary) Limited	*	100	*			
Tangney Investments (Proprietary) Limited	1	100	32 500	45 097	32 500	45 097
Winslet Investments (Proprietary) Limited	*	100	*	–	*	(533)
Gaming						
Global Payment Technologies Holdings (Proprietary) Limited	44 888	100	*	55 804	*	34 751
Vukani Gaming (Proprietary) Limited	*	100	**		**	–
Financial & management services						
HCI Managerial Services (Proprietary) Limited	*	100	*	(9 463)	*	2 326
HCI Treasury (Proprietary) Limited	150	100	*	365 946	*	95 799
HJS Advisory Services (Proprietary) Limited	*	100	*	2 115	*	600
Ligitprops 109 (Proprietary) Limited	*	90	**		**	
Mettle Asset Securitisation Limited	*	100	**		**	
Mettle Central Investments (Proprietary) Limited	*	100	**		**	
Mettle Factors (Proprietary) Limited	*	77	**		**	
Mettle Finance (Proprietary) Limited	*	100	**		**	
Mettle Financial Trading (Proprietary) Limited	*	100	**		**	
Mettle Funding and Investments (Proprietary) Limited	*	100	**		**	
Mettle Isle of Man Limited (1)	*	100	**		**	
Mettle Limited	*	100	**	(6 255)	**	(2 253)
Mettle Motor Loans Management Company (Proprietary) Limited	*	100		**		**
Mettle Operations Limited	*	100		**		**
Mettle Supreme Limited	*	100		**		**
Industrial						
Baisch Engineering (Proprietary) Limited		80		**		**
Formex Industries (Proprietary) Limited	100	80	6 550	9 180	*	9 180
Formex Pressings (Proprietary) Limited		80		**		**
Hi-Reach Manlift (Proprietary) Limited		80		**		**
Johnson Access (Proprietary) Limited	2 000	80	4 090	–	2 500	–
Tylon (Proprietary) Limited		89		**		**
Tylon Holdings (Proprietary) Limited	*	89	12 920	–	11 000	–

ANNEXURE A

	Issued share capital R'000	Effective Interest %	2006 Shares R'000	2006 Loans R'000	2005 Shares R'000	2005 Loans R'000
Transport						
Golden Arrow Bus Services (Proprietary) Limited	*	100	**265 014**	**–**	257 420	–
Hollyberry Props 12 (Proprietary) Limited	*	100	**	**6 174**	**	2 766
Broadcasting and media						
Emerald Productions (Proprietary) Limited	*	63	**		**	
Midi TV (Proprietary) Limited	860 488	63	**		**	60 255
Sam Sisonke (Proprietary) Limited	*	100	**1 362**	**594**		
Yired (Proprietary) Limited	*	77	**13 504**	-		
Other						
IGI Investment Company Limited	37 546	55	*		*	–
Gallagher Estate Holdings Limited	19 300	51	**		**	–
Mars Holdings (Proprietary) Limited	*	51	**19 801**		–	–
			579 088	**738 338**	521 034	595 290

*   under R1 000
** Indirectly held

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

	2006 R'000	2005 R'000
Profits and losses of consolidated subsidiary companies attributable to the company		
Aggregate profits after tax	**246 943**	385 939
Aggregate losses after tax	**(95 672)**	(62 755)

Subsidiaries are incorporated in South Africa unless otherwise shown.

(1) Isle of Man

Encumberances

Shares and loans having a total carrying value of R1 283 million (2005 : nil) have been pledged as security for certain loans owing to loan funders of the group. Refer note 17.

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 2006

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 Mettle, 33 Fricker Road, Illovo Boulevard, Illovo, Johannesburg, on Thursday 16 November 2006 at 10h00, for the following business:

1. To consider and adopt the Annual Financial Statements of the Company for the year ended 31 March 2006 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 2006 be and is hereby approved.
3. To re-elect the following directors of the Company:

   3.1 A van der Veen
   3.2 JA Mabuza
   3.3 MJA Golding
   3.4 VE Mphande

   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, 3.3 and 3.4 appears on page 4 and 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 OR OPTIONS FOR CASH

6. "RESOLVED THAT the directors of the Company be and they are hereby authorised by way of a general authority, to issue, or issue options over, 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 and options which are the subject of the issue for cash must be of a class already in issue or in the case of options in respect of a class of equity securities 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 of shares or options 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 or options 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 or options 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 of shares or options representing in the aggregate, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of equity securities in issue prior to that issue; and

6.6 in determining the price at which an issue of shares or options 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 of shares or options 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.

DISTRIBUTION TO SHAREHOLDERS OUT OF SHARE PREMIUM

7. "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 2 November 2006:

- 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 Shedule 25 of the JSE Listings Requirements.

SPECIAL RESOLUTION NUMBER 1
APPROVAL TO REPURCHASE SHARES

8. "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 he Company, from time to time of the issued ordinary hares 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 of the 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 for the 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 adequate to 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;

8.11 the 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 LISTING 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 – page 4 and 5;
– Major shareholders of HCI – page 18 and 19;
– Directors interests in securities – page 56 and 57; and
– Share capital of the company – page 45.

LITIGATION STATEMENT

The directors, whose names are given on page 4 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 Investment Holding Company Limited ("Nafcoc") under case number 05/7941 for an order declaring, inter alia, that the transfer of 66 shares in 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 opposed the application and following the hearing of the application, the Court referred the matter to trial. Since then the matter has largely been stationary.

In another matter Nafcoc has caused its attorneys to adress 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 on 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.

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 fulfilment of the conditions to the Fabvest acquisition and/or HCI's interests in the Tsogo group. The quantum of the above cannot be determined at this stage.

Adequate provisions have been made for the legal fees relating to the abovementioned litigation.

DIRECTORS RESPONSIBILTY STATEMENT

The directors, whose names are given on page _ 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 authorize 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 repository 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: 15 September 2006
Place: Durban