2010

HCI

Hosken Consolidated Investments Limited

REVIEWED GROUP PRELIMINARY RESULTS

for the year ended 31 March 2010

Business Segments

as at 31 March 2010

GAMING, HOTELS AND LEISURE

MEDIA AND BROADCASTING

TRANSPORT

FOOD AND BEVERAGES

VEHICLE COMPONENT MANUFACTURE

SERVICES AND TECHNOLOGY

EXHIBITIONS AND PROPERTY

ENERGY

MINING

CLOTHING AND TEXTILE

Tsogo Investment Holding Company
74.7%

Vukani Gaming Corporation
100%

e.tv
64%

Yired
64%

e sat.tv Communications
64%

Golden Arrow Bus Service
100%

Clover
44%

Formex Engineering
90%

Business Systems Group (Africa)
40%

Syntell
55%

Isilumko
30.1%

Limtech
58.9%

Gallagher
100%

Montauk Energy Capital
91.5%

HCI Khusela Coal
80%

Seardel Investment Corporation
70.6%

Abridged consolidated income statement

	31 March 2010 R'000 (reviewed)	31 March 2009 R'000 (audited)
Revenue	**8 450 312**	7 433 768
Net gaming win	**3 686 356**	3 468 702
Income	**12 136 668**	10 902 470
Expenses	**(9 026 074)**	(7 591 446)
EBIDTA	**3 110 594**	3 311 024
Depreciation and amortisation	**(713 206)**	(631 857)
Operating profit	**2 397 388**	2 679 167
Investment income	**104 876**	125 963
Finance costs	**(657 548)**	(686 961)
Share of profits of associates and joint ventures	**536 443**	68 196
Negative goodwill released	**2 544**	876 023
Investment surplus	**41 976**	49 778
Fair value adjustments of investment properties	**17 834**	(15 608)
Impairment reversals	**51 681**	4 070
Asset impairments	**(48 692)**	(37 505)
Fair value adjustments financial instruments	**3 871**	(225 148)
Impairment of goodwill and investments	**(197 573)**	(73 594)
Profit before taxation	**2 252 800**	2 764 381
Taxation	**(669 632)**	(775 426)
Profit for the year from continuing operations	**1 583 168**	1 988 955
Discontinued operations	**(251 680)**	(105 664)
Profit for the year	**1 331 488**	1 883 291
Attributable to:		
Equity holders of the parent	**603 995**	1 110 488
Minority interest	**727 493**	772 803
	1 331 488	1 883 291

Reconciliation of headline earnings

		2010		2009	
		Gross	**Net**	Gross	Net
		R'000	**R'000**	R'000	R'000
Earnings attributable to equity holders of the parent			**603 995**		1 110 488
IAS 16 gains / (losses) on disposal of plant and equipment		**29 486**	**20 789**	(13 083)	(2 731)
IAS 16 impairment of plant and equipment		**29 599**	**24 020**	72 517	49 307
IAS 38 impairment of intangible assets		**-**	**-**	861	472
IAS 36 Impairment of goodwill		**75 314**	**75 314**	12 106	12 106
IFRS 3 Excess of fair value of assets					
on business combination		**(2 544)**	**(969)**	(876 023)	(873 551)
IAS 28 gain on disposal of associates		**-**	**-**	(9 972)	(8 840)
IAS 28 impairment of joint venture		**1 539**	**1 429**	59 999	47 521
IAS 36 impairment of assets		**161 589**	**142 129**	-	-
IAS 36 reversal of impairments		**(49 338)**	**(34 926)**	(4 070)	(4 070)
IAS 27 profit from disposal / part of subsidiary		**(39 231)**	**(36 483)**	(39 805)	(24 706)
IAS 40 fair adjustment to investment property		**(17 834)**	**(15 009)**	15 608	11 090
IAS 39 profit on disposal of available for sale asset		**(2 747)**	**(2 747)**	-	-
Re-measurements included in					
equity-accounted earnings of associates		**(408 026)**	**(408 026)**	-	-
Headline profit			**369 516**		317 086
Earnings per share (cents)					
Basic	-45.78%		**482.87**		890.58
Continuing operations			**632.31**		918.05
Discontinued operations			**(149.45)**		(27.47)
Headline	16.17%		**295.41**		254.30
Continuing operations			**427.28**		266.42
Discontinued operations			**(131.87)**		(12.12)
Weighted average number of shares in issue ('000)			**125,085**		124,692
Actual number of share in issue at end of period					
(net of treasury shares) ('000)			**125,254**		124,909
Diluted earnings per share (cents)					
Basic	-45.92%		**469.99**		869.09
Continuing operations			**615.45**		894.33
Discontinued operations			**(145.46)**		(25.24)
Headline	15.87%		**287.53**		248.16
Continuing operations			**415.89**		259.99
Discontinued operations			**(128.35)**		(11.83)
Weighted average number of shares in issue ('000)			**128,512**		127,776

Abridged consolidated balance sheet

as at 31 March 2010

	31 March 2010 R'000 (reviewed)	31 March 2009 R'000 (audited)
ASSETS		
Non-current assets	**14 968 791**	13 979 556
Property, plant and equipment	**9 660 977**	9 271 620
Investment properties	**218 585**	166 937
Goodwill	**1 544 195**	1 263 883
Interest in associates and joint ventures	**2 405 254**	1 960 894
Other financial assets	**62 827**	63 752
Intangibles	**644 402**	703 132
Deferred taxation	**230 997**	343 446
Operating lease equalisation asset	**962**	4 970
Long-term receivables	**200 592**	200 922
Current assets	**3 790 747**	4 042 113
Other	**2 499 162**	3 146 759
Bank balances and deposits	**1 291 585**	895 354
Non-current assets held for sale	**110 886**	26 972
Total assets	**18 870 424**	18 048 641
EQUITY AND LIABILITIES		
Equity	**8 380 190**	7 619 925
Equity attributable to equity holders of the parent	**4 639 167**	4 211 289
Minority interest	**3 741 023**	3 408 636
Non current liabilities	**5 895 287**	6 095 744
Deferred taxation	**652 848**	684 909
Long-term borrowings	**4 715 207**	4 911 023
Operating lease equalisation liability	**287 429**	262 067
Other	**239 803**	237 745
Current liabilities	**4 574 694**	4 332 972
Non-current liabilities held for sale	**20 253**	-
Total equity and liabilities	**18 870 424**	18 048 641
Net asset value carrying per share (cents)	**3 704**	3 371

Consolidated statement of changes in equity

	31 March 2010 R'000 (reviewed)	31 March 2009 R'000 (audited)
Balance at beginning of year	**7 619 925**	6 232 034
Share capital and premium		
Shares issued	**-**	79 102
Treasury shares released	**11 751**	3 620
Treasury shares acquired by subsidiary	**-**	(22 950)
Current operations		
Total comprehensive income	**1 054 043**	2 280 268
Equity settled share-based payments	**7 408**	2 629
Minority interest on acquisition of subsidiaries	**-**	437 101
Effects of changes in holding	**5 061**	(533 819)
Capital reductions and dividends	**(317 998)**	(858 060)
Balance at end of year	**8 380 190**	7 619 925

Abridged consolidated statement of other comprehensive income

	31 March 2010 R'000 (reviewed)	31 March 2009 R'000 (audited)
Profit for the period	**1 331 488**	1 883 291
Other comprehensive income:		
Foreign currency translation differences	**(276 836)**	144 242
Cash flow hedge reserve	**(1 478)**	(21 819)
Asset revaluation reserve	**869**	274 554
Total comprehensive income	**1 054 043**	2 280 268
Attributable to:		
Equity holders of the company	**409 076**	1 283 359
Minority interests	**644 967**	996 909
	1 054 043	2 280 268

Abridged consolidated cashflow statement

	31 March 2010 R'000 (reviewed)	31 March 2009 R'000 (audited)
Cashflows from operating activities	**1 765 164**	952 335
Cashflows from investing activities	**(2 061 381)**	(3 997 457)
Cashflows from financing activities	**717 752**	2 969 423
(Decrease)/increase in cash and cash equivalents	**421 535**	(75 699)
Cash and cash equivalents		
At beginning of period	**549 698**	621 719
Foreign exchange differences	**(11 695)**	3 678
At end of period	**959 538**	549 698
Bank balances and deposits	**1 291 727**	895 354
Bank overdrafts	**(332 189)**	(345 656)
Cash and cash equivalents	**959 538**	549 698

Segement analysis

	31 March 2010 R'000		31 March 2009 R'000	
	Revenue	**Net gaming win**	Revenue	Net gaming win
Media and broadcasting	**1 614 898**	**-**	1 504 367	-
Limited payout gaming	**10 984**	**259 822**	10 534	225 226
Casino gaming	**646 871**	**3 409 651**	639 427	3 243 476
Hotels	**1 753 493**	**-**	2 037 375	-
Information technology	**230 281**	**-**	220 582	-
Transport	**897 554**	**-**	938 789	-
Vehicle component manufacture	**311 426**	**-**	499 600	-
Exhibition and properties	**69 592**	**-**	60 553	-
Mining	**141 551**	**-**	6 409	-
Natural gas	**172 468**	**-**	220 994	-
Clothing and textile	**2 586 923**	**-**	1 271 576	-
Other	**14 271**	**16 883**	23 562	-
Total	**8 450 312**	**3 686 356**	7 433 768	3 468 702

Segement analysis (continued)

	Profit before tax		Headline profit	
	31 March 2010 R'000	31 March 2009 R'000	**31 March 2010 R'000**	31 March 2009 R'000
Media and broadcasting	**570 926**	466 392	**227 744**	179 833
Financial services	**-**	-	**-**	(253)
Limited payout gaming	**14 168**	(7 350)	**29 239**	(15 007)
Casino gaming	**1 144 973**	1 012 942	**320 529**	266 904
Hotels	**273 388**	641 602	**55 175**	126 849
Information technology	**35 724**	40 009	**15 931**	17 020
Transport	**98 048**	92 418	**76 225**	71 077
Vehicle component manufacture	**(46 438)**	5 432	**(122 182)**	(8 769)
Food and beverage	**348 255**	(2 398)	**35 197**	(2 398)
Exhibition and properties	**46 006**	13 077	**25 976**	29 498
Mining	**(6 643)**	(19 380)	**(6 643)**	(19 380)
Natural gas	**(53 734)**	(189 586)	**(27 686)**	(78 903)
Clothing and textile	**6 859**	(52 509)	**(103 236)**	(55 070)
Other*	**(178 732)**	763 732	**(156 753)**	(194 315)
Total	**2 252 800**	2 764 381	**369 516**	317 086

* Profit before tax includes investment surplus and negative goodwill

	31 March 2010 R'000	31 March 2009 R'000
EBITDA		
Media and broadcasting	**644 016**	568 427
Limited payout gaming	**56 829**	28 584
Casino gaming	**1 646 965**	1 655 232
Hotels	**480 294**	790 568
Information technology	**49 279**	55 239
Transport	**168 307**	168 423
Vehicle component manufacture	**(30 180)**	5 442
Exhibition and properties	**28 611**	31 941
Mining	**(3 833)**	(22 810)
Natural gas	**38 468**	79 615
Clothing and textile	**72 006**	17 677
Other	**(40 168)**	(67 314)
Total	**3 110 594**	3 311 024

Basis of preparation and accounting policies

The results for the year ended 31 March 2010 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically IAS 34: Interim Financial Reporting and the AC 500 series, and comply with the requirements of the South African Companies Act, 1973, and the Listings Requirements of the JSE Limited. The accounting policies of the group are consistent with those applied for the year ended 31 March 2009. The group adopted IAS 1 (revised) and IFRS 8 during the current year. As required by the JSE Limited Listings Requirements, the group reports headline earnings in accordance with Circular 3/2009: Headline Earnings, as issued by the South African Institute of Chartered Accountants.

Business combinations

During the year under review the group acquired control of the following entities:

Casino Gaming and Hotels segments

With effect from 30 June 2009, the Tsogo Sun group acquired a 100% effective interest in Century Casinos Africa (Pty) Limited, comprising a 100% interest in Century Casinos Caledon (Pty) Limited, Century Casinos Newcastle (Pty) Limited, and Celebration Accommodation and Food Services Management (Pty) Limited. These companies carry on the businesses of casino, hotel, and food and beverage services. On 31 March 2010, the Tsogo Sun group acquired effective control in Southern Sun (Middle East) LLC ("SSME") which was previously accounted for as an associate.

Media and Broadcasting

The Sabido group acquired 100% interests in Crystal Brook Distributions (Pty) Limited and Refinery Post Production Facilities (Pty) Limited on 30 September 2009 and 28 February 2010 respectively.

Other

On 10 December 2009, the group acquired control of Galaxy Bingo International South Africa (Pty) Limited, a bingo operator. The acquired businesses contributed revenues of R61 million and profit after tax of R7 million to the group for the periods from dates of effective control to 31 March 2010. Had the acquisitions been effective on 1 April 2009, the contribution to revenue would have been R114 million and the contribution to profit after tax would have been R9 million.

The details of the net assets acquired and goodwill at acquisition on business combinations is as follows:

	R'000
Non-current assets	289 080
Current assets	61 318
Non-current liabilities	(128 396)
Current liabilities	(59 259)
Net assets acquired	162 743
Goodwill arising on acquisitions	356 790
Purchase price	519 533
Costs	2 278
Loan acquired	6 780
Net cash on acquisition	(23 579)
Net cash paid	505 112

Discontinued operations and non-current assets held for sale

Discontinued operations as disclosed in the group income statement relates to the following:

- The convention business of Gallagher Estates which the group has been ordered by the Competition Commission to dispose of. The group is currently awaiting the Commission's response to proposals by the group regarding the manner of disposal;
- The access platform subsidiary, Johnson Access (Pty) Limited which was disposed of during the year;
- Four of Seardel's manufacturing operations in the Frame division's vertical pipeline – spinning, weaving, finishing and denim; and
- The door module and pulley divisions of Formex Industries (Pty) Limited. The non-current assets held for sale, as disclosed in the group balance sheet, relate to the following:
- A subsidiary of Johnnic Holdings USA, Montauk Energy Capital LLC, has taken a decision to dispose of certain of its non-material passive landfill sites in the next 12 months;
- Certain assets of the Seardel group which has been committed to being disposed of; and
- The remaining assets of the pulley division of Formex Industries (Pty) Limited.

Overview of results

Group results

The group results reflect an overall increase of 16,5% in headline earnings attributable to HCI shareholders.Basic earnings declined when compared to the prior year due to the large negative goodwill included in the prior year from the first-time consolidation of the Seardel group. The results are somewhat of a mixed set with some businesses severely affected by the economic downturn whilst others proved more resilient.

Growth in the media businesses together with the first-time full year consolidation of Seardel were the most significant drivers of growth in revenue. Despite significant cost controls across the group, group EBITDA fell 6% largely due to the disappointing performance of the hotel business and to a lesser extent the natural gas and vehicle component businesses. Once again the media and limited payout gaming businesses exhibited strong growth in EBITDA.

Finance costs for the year have decreased primarily as a result of the lower interest rate environment. The share of the profits of associates has increased significantly as a result of the inclusion of R408 million being the group's share of the profit on the sale of the Danone business by Clover Industries Limited.

Included in investment surplus are the profits on the disposal of the Johnson Access platform business and the door module business of Formex.

Fair value adjustments of investment properties relate largely to the upward revaluation of the Gallagher properties. Asset impairments relate primarily to property, plant and equipment impaired by Seardel. The impairment of goodwill and investments relates primarily to the impairment of carrying value of the investment in Clover Industries Limited to the expected proceeds from the forthcoming disposal as detailed below and the impairment of the goodwill relating the group's investment in the bingo operations.

Group balance sheet and cash flow

The group's overall financial position remains strong with the major businesses still generating strong cash flows despite the difficult trading conditions. The group remains well positioned to benefit from the recovery in the economy.

INVESTMENTS

Media and broadcasting

Sabido Investments (Pty) Limited ("Sabido")

Considering the impact of the prolonged recession, the Sabido group performed above expectations in the period under review. While e.tv remains the major revenue earner for the Sabido group, it should be noted that higher than expected profits this year were largely a result of tight cost controls rather than a significant increase in advertising revenue. Both audience and revenue share for e.tv are under pressure from the growth in pay-TV which has seen an unprecedented increase in middle-income earners. e.tv has increased its footprint outside the country with the launch of the new "e.tv Africa" service which is available via satellite in twelve African countries on a syndicated basis. The syndication of e.tv Africa enhances the programming and advertising of the group's equity interests in Botswana and Ghana while providing a low-risk opportunity to air e.tv in other African countries.

The eNews Channel, which has been on air for almost two years now, has been the market leader from day one. It has contributed significantly to the growth in subscribers to DStv and its coverage has been extended to the whole of Southern Africa. The group plans to launch a pan-African version of the news channel which will be syndicated around the continent and abroad.

YFM has shown marked improvement over the recent period while the content production and distribution aspects of the group are growing according to plan. The facilities businesses Sabido, Refinery and Cape Town Film Studios have performed in accordance with expectations.

Gaming, hotels and leisure

Tsogo Sun Holdings (Pty) Limited ("Tsogo Sun")

During the year under review, the group entered into an agreement with Nafcoc Investment Holdings Limited ("Nafhold") for the acquisition of their 25% interest in Tsogo Investment Holding Company (Pty) Limited for a total purchase consideration of R1,2 billion, subject to regulatory approvals. Nafhold shareholders have approved the transaction and Gaming Board approvals remain outstanding. HCI's effective exposure to Tsogo Sun will increase to approximately 51% from the present 38%.

The financial year ended 31 March 2010 proved to be one of the most difficult trading periods in Tsogo Sun`s history. Total income of R5 810 million was 2% below last year and earnings before interest, tax, depreciation, amortisation and property rentals and exceptional items ("EBITDAR") at R2 309 million reflected a 12% decline on the prior year. This decline in EBITDAR was driven principally by the Hotel divisions which reflected a year-on-year decline in EBITDAR of 29% (pre-foreign exchange losses) on the back of the lowest occupancies on record as a result of the macroeconomic environment. The underlying operations of the Tsogo Sun group remain sound and are highly geared towards the South African consumer (in gaming) and corporate market (in hotels). The group is poised for growth as these sectors of the South African economy improve.

A segmental analysis of the Tsogo Sun group's revenue and EBITDAR is as follows:

2010

(R`million)	Revenue	EBITDAR	Margin
Montecasino precinct	**1 796**	**632**	**35,2**
Suncoast precinct	**1 195**	**504**	**42,2**
Other Gaming	**1 065**	**577**	**54,2**
Tsogo Sun Gaming	**4 056**	**1 713**	**42,2**
Southern Sun Hotels South Africa	**1 549**	**555**	**35,8**
Southern Sun Hotels Offshore	**237**	**72**	**30,4**
Foreign exchange losses	**-**	**(52)**	**-**
Inter-group elimination/ corporate	**(32)**	**21**	**-**
	5 810	**2 309**	**39,7**

2009

(R`million)	Revenue	EBITDAR	Margin
Montecasino precinct	1 817	694	38,2
Suncoast precinct	1 167	510	43,7
Other Gaming	902	529	58,6
Tsogo Sun Gaming	3 886	1 733	44,6
Southern Sun Hotels South Africa	1 778	780	43,9
Southern Sun Hotels Offshore	294	109	37,1
Foreign exchange losses	-	(5)	-
Inter-group elimination/ corporate	(37)	5	-
	5 921	2 622	44,3

The Tsogo Sun group remains focused on its growth strategy and will continue to pursue opportunities to develop and enhance its core Hotel and Gaming businesses.

The gaming industry has been under pressure in all markets with the Western Cape and Gauteng provinces reporting market size reductions while KwaZulu-Natal recorded some growth but at lower levels than previously experienced. Total Gaming division income of R4 056 million and EBITDAR of R1 713 million were achieved during the year, assisted by the acquisition of the two Century casinos with effect from 30 June 2009.

EBITDAR margins in Tsogo Sun Gaming have been under pressure on the back of revenue declines, excluding acquisition activity. However, the division continued to outperform other operators in South Africa with a margin of 42,2%, reflective of the quality of assets and the efficient cost structures in place.

Montecasino gaming win reflected a decline of 1,8% against a Gauteng provincial decline of 3,2% for the year ended March 2010. The consequential gain in market share arose as the Montecasino catchment area was less affected than other Gauteng markets. This trend has seen some reversal in the last quarter of the financial year, as some of these markets recovered from previously depressed levels. Montecasino continues to service high levels of footfall attracted by the entertainment and events on offer. Overall casino activity levels in terms of number of wagers remains in line with the prior periods with the average bet reflecting marginal decline. EBITDAR at R632 million is 9% below the prior year as overheads increased by 3,7% including gaming taxes.

The KwaZulu-Natal market grew by 4,5% over the prior year with the Suncoast casino reflecting growth of 3,8% in gaming win. The Durban market continues to show greater resilience than other large gaming markets in South Africa. EBITDAR at R504 million is 1% below the prior year as overheads increased by 5,2% including gaming taxes.

The group's other Gaming interests (consisting of inter alia, Nelspruit, Emalahleni (Witbank), East London, Caledon, Newcastle), the Sandton Convention Centre and the central management activities, performed satisfactorily during the year given the economic environment. EBITDAR for this segment of R577 million was some 9% above the prior year and included a R54 million contribution from the newly acquired Century operations for the nine months from 30 June 2009. Excluding this acquisition activity, EBITDAR reflected a 1% decline on the prior year.

The Southern Sun Hotel group in South Africa experienced a continuation of the economic contraction in the hospitality market that started half way through the prior financial year. With no recovery in the core corporate and government segments, occupancies were under pressure at 58% (prior year 68%). The group managed to maintain average room rates achieved at R801 in line with the prior year`s R803. The weakness in corporate and government spend was partially offset by increases in the leisure and sports segments. In line with the consequential Revpar decline, revenues declined by 13% to R1 549 million during the year. Operating costs were well controlled at R994 million, a R4 million reduction on the prior year, despite above inflation increases in payroll, regulated utility costs and property rates. However, with significant fixed capacity, EBITDAR declined by 29% to R555 million. The group continues to actively manage costs while maintaining operating standards. Occupancies, excluding the 2010 FIFA World Cup period, will however, only reflect a recovery once corporate travel returns to more normal levels. Southern Sun is well placed and fully prepared for the 2010 FIFA World Cup and is looking forward to the opportunity to host a significant portion of this event. This business is considered to be a good long-term business, as evidenced by an EBITDAR margin of 35,8% being achieved in difficult trading conditions.

The Offshore division of the Southern Sun Hotel group achieved total revenue of R237 million, representing a 19% decline on the prior year with EBITDAR pre-foreign exchange losses) of R72 million reported for the year. Occupancies were negatively affected and at 66% was 5% below the prior year, particularly in the Seychelles, which experienced weak European leisure demand. US Dollar room rates held up on prior year at US$177 but when translated to Rand, reflected a decline of 15%.

The Rand remained strong during the year under review which impacted both the translation of US Dollar and Euro earnings streams as well as resulting in a R52 million foreign exchange loss on the translation of Offshore monetary items, being mainly cash and loans to associates.

Tsogo Sun has previously disclosed a number of corporate activities undertaken in pursuit of its growth strategy and has made significant progress on these during the year under review. These include:

- The conclusion of the regulatory process around the acquisition of a 25% stake in Gold Reef Resorts Limited ("Gold Reef") and control of the Gold Reef voting pool in June 2009, bringing the total voting interest in Gold Reef to 34,9%;
- In February 2010, Tsogo Sun announced the proposed merger with Gold Reef and effective reverse listing of Tsogo Sun via the acquisition by Gold Reef of the entire issued share capital of Tsogo Sun through the issue of new shares to Tsogo Investment Holding Company (Pty) Limited and SABSA (Pty) Limited. On 26 April 2010, the shareholders of Tsogo Sun and Gold Reef approved the proposed transaction through the passing of the relevant resolutions. The closing of the transaction remains subject to inter alia the approval of the various Gaming Boards and the competition authorities. Once concluded this transaction will lead to the creation of the pre-eminent Gaming and Hotel group in South Africa, with 14 Casinos and over 90 hotels.
- The conclusion of the regulatory process for the acquisition of Century Casinos Inc's, South African operations, being the Caledon Casino, Hotel and Spa and the Century Casino Newcastle, and the integration of these operations into Tsogo Sun Gaming with effect from 30 June 2009;
- The acquisition of the 30% effective interest in Suncoast Casino, via the acquisition of Millennium Casino Limited from Johnnic Holdings Limited, a fellow subsidiary, with effect from 7 October 2009;
- The conclusion of a joint venture arrangement with 888.com, a leading on-line casino operator. Whilst the implementation of on-line gaming is being delayed by pending approval of regulations, the group is well placed to ultimately pursue on-line gaming once the legislation permits;
- The completion of The Pivot development in the Monte Casino precinct, including the exciting new Southern Sun Hotel, Conference Centre, offices and parking;
- The addition of the Southern Sun Hyde Park, Southern Sun Ikoyi (Lagos), Garden Court Umhlanga, StayEasy Pietermartizburg and StayEasy Emalahleni (Witbank) to the group's hotel portfolio; and
- The increase in the group`s effective economic interest in the Middle East management company from 50% to 80%.

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

Vukani, the group`s limited payout machine operator, has operations in six licenced provinces with a recent High Court decision ordering the Free State Gambling Board to issue Vukani with a route operator licence.

Vukani's installed machine base increased from 2 972 in the prior year to 3 121 at 31 March 2010. Despite increasing the installed base by only 5%, EBITDA as a percentage of gross gaming revenue ("GGR") increased from 8,5% in the prior year to 14,6% during the year under review. It is expected that the planned increases to the installed machine base as well as a continued focus on improving GGR will see this trend continue.

EBITDA has increased by some 98,8%. This increase has been achieved through strict cost control and a programme of improving GGR per machine across the installed machine base by closing underperforming sites and the introduction of new games and machines.

Transport

Golden Arrow Buses (Pty) Limited ("GABS")

Passenger volumes have declined in comparison to previous periods which can be attributed to both the economic downturn and the reduction of services due to the limitations in Government funding. Whilst the company has managed the transition from passenger to kilometre as the basis of its contract with Government reasonably well, the legal framework within which it operates has not yet been finalised.

During the build up to the 2010 FIFA World Cup, the company played a major role in the successful hosting of events at the Cape Town Stadium and although not directly involved in the transport for the event, remains ready to support the City of Cape Town during this period.

The Integrated Rapid Transport System (IRTS), is moving ahead and the company will continue to engage the City with its input and participation in the longer term.

Internally, the company has continued to focus on passenger service reliability as well as cost containment and will approach the future confidently. One of the uncontrollable influences for the company remains the cost of diesel and any major change in either the price of crude oil or the value of the Rand would have a significant influence on profitability.

Food and beverages

Clover Industries Limited ("Clover")

The group has entered into an agreement to dispose of its equity interests in Clover by way of a buyback of its ordinary shares by Clover and a restructuring of the present preference shares held. The disposal is subject to approval by Clover shareholders in general meeting which is scheduled for 31 May 2010. It is expected that if Clover shareholders approve the transaction, the group will receive approximately R490 million in proceeds from the disposal with the only remaining exposure to Clover being R110 million in three-year compulsory redeemable preference shares with a fixed dividend coupon of 90% of prime.

Mining

HCI Khusela Coal (Pty) Limited ("HKC")

The development of the Palesa and Mbali mines is now largely complete with the exception of some adjacent infrastructure to the Mbali plant which will be completed closer to the commissioning date. Total development costs will be approximately R550 million for all three mines, of which R470 million has been expended to date.

The Palesa mine has received an order to supply Eskom with up to 160 000 tons of coal per month for the next eight years. This order should enable Palesa to be a profitable mine on a standalone basis. While the move from start-up to full production should improve efficiencies, mining costs and their future escalations remain a concern. Management is in discussion with the mining contractor to investigate opportunities to reduce costs per run of mine ("ROM") ton.

The review application against the decision by the Department of Mineral Resources ("DMR") to grant African Exploration Mining and Finance Corporation (Pty) Limited a mining right on a portion of the Mbali mine, despite our prospecting right, is ongoing. Nokuhle's mining right application has been lodged with the DMR.

An agreement has been concluded to purchase the 20% interest of Khusela Women Investments in HKC. The final implementation of the agreement is subject to the approval of the Minister of the DMR and will result in HKC being 100% owned by HCI.

Clothing and textiles

Seardel Investment Corporation Limited ("Seardel")

It has been 17 months since HCI became the majority shareholder of Seardel and began its turnaround strategy despite much market scepticism. We have previously mentioned that the performance of Seardel over the second half of the financial year was of central importance to its future. We are pleased to report that Seardel recorded an R18 million attributable profit for the second six months of the year, reducing the loss of R222 million reported at interim stage to R204 million by year-end. Of particular interest is the fact that continuing operations managed to break even for the full year after having reported a R50 million loss in the first half. If one adjusts for certain reclassifications that took place during the second half of the year, then, on a like for like basis, continuing operations delivered an attributable net profit of R29 million for the second six months of the year.

The strong focus on cash generation in the year has meant that net interest-bearing borrowings declined by R156 million improving the net interest-bearing debt to equity ratio by 9% from 33% as at 31 March 2009 to 24%.

Although the results are encouraging and the majority of Seardel's operations look to be on solid ground, there are still some areas of concern. The performance of the continuing clothing operations was particularly concerning delivering an operating loss before interest of R55 million for the year. These results were affected by a number of exceptional factors including a 12-day industry strike, but nevertheless improvements are required before the labour intensive clothing operations can be considered sustainable.

Seardel is a separately listed entity and its results are being published together with those of HCI. The detailed results and commentary thereon, can be obtained from Seardel's results directly.

Energy

Montauk Energy Corporation LLC ("Montauk")

We indicated in 2009 that the natural gas market has the ability to surprise and it was no different in 2010. While the number of drill rigs declined and the US was hit by the coldest winter in many years, the price of natural gas did not recover above the $6,00 per mmbtu level for any prolonged period of time. This is even more surprising given the significant recovery in crude oil prices. The historical relationship between crude oil and natural gas seems to be broken or redefined to say the least (the ratio is now 18 times compared to a historical 10-12 times).

The effect of the lower gas prices would have been more severe on Montauk had it not entered into new gas sales agreements, at a premium to spot prices, at two of its high BTU facilities. The premiums on these new contracts represent the green value of Montauk's production of renewable energy. The benefits of these five year agreements were only included for a part of the year and 2011 should show a measurable increase in EBITDA from the $5,1 million in the current year. Gas sales account for 66% of revenue and electricity 20% with the remainder being profits on hedges and green energy credits.

Operational practices at site level are improving with measurement of production metrics and plant maintenance being key priorities.

The business has a healthy development pipeline, mostly focused on electricity generation, with investment opportunities approaching $100 million for the next three years. Many of the projects will qualify for stimulus grant funding from the US government. These projects, if developed, will result in a significantly larger proportion of Montauk's future income being derived from electricity sales based on fixed price power purchase agreements.

Exhibitions and property

Gallagher Estate Holdings Limited ("Gallagher Estates")

The Gallagher business consists of exhibition and property businesses. The exhibition business was impacted by the economy and 2010 EBITDA declined from 2009 by 60% to R7 million. The property business was less affected with the lease for the Pan African Parliament being renewed for a further year. While improved controls in the exhibition business has resulted in better operating margins, the business will be negatively impacted by the 2010 FIFA World Cup.

Vehicle components manufacture

Formex Industries (Pty) Limited ("Formex")

Formex experienced a very difficult trading year culminating in an operating loss of R89 million. This loss far exceeded our expectations. Our belief that the slump in the automotive market would be prolonged proved to be correct. The extent of the actual sales decline was, however, considerably larger than projected by our customers' sales forecasts. The Pulley division's loss before tax accounts for R54,7 million of total group loss.

In 2009, consolidated turnover from continuing operations was R499 million, declining to R311 million in 2010. As a result HCI was required to support the group by providing additional funding.

During the year the Pulley division and the Doorlock division were closed and sold respectively. The closure of the Pulley division was precipitated by significant airfreight costs which resulted from production constraints following the moving of the facility to Ga-Rankuwa and an inability to obtain higher prices from customers. The Doorlock division was sold as there was not enough turnover to support the overhead cost structure needed to manage the division.

As indicated in 2009, Formex's strategy is to grow the complementary Pressing and Tubing businesses, where products are often sold to the same clients, into the same exhaust systems. This strategy has thus far enabled the group to reduce overhead costs and improve manufacturing processes and controls. However, more needs to be done in order to reclaim lost margin and to operate infrastructure at designed capacity in order to achieve return on asset targets.

The forward order book and customer releases are showing an improvement, but the key to the profitability of the division lies in improved execution and cost control on the factory floor.

CHANGES IN DIRECTORATE

There were no changes in directorate since our interim report to shareholders issued in November 2009.

AUDITOR`S REVIEW

These results have been reviewed by the company`s auditors, PKF (Jhb) Inc. Their unqualified review opinion is available for inspection at the registered office of the company.

DISTRIBUTIONS TO SHAREHOLDERS

The board has decided to postpone its consideration of a dividend until after the shareholder meeting of Clover scheduled for 31 May 2010. A further announcement in this regard will be made.

For and behalf of the board of directors

MJA Golding	**JA Copelyn**
Chairman	Chief Executive Officer
Capetown	20 May 2010

Corporate administration

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SHARE CODE

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