Hosken

Hosken Consolidated Investments Limited

(Incorporated in the Republic of South Africa)
(Registration number 1973/007111/06)
Share code: HCI ISIN: ZAE000003257
("HCI" or "the company" or "the group")

Group interim results for the six months ended 30 September 2002

The following are the unaudited results of the group for the six months ended 30 September 2002 together with the comparative figures:

ABRIDGED CONSOLIDATED INCOME STATEMENT

	Six months ended 30 September 2002 R'000 (unaudited)	2001 R'000 (unaudited)	Year ended 31 March 2002 R'000 (audited)
Revenue	256 756	195 765	390 266
Operating loss	(63 053)	(107 707)	(341 221)
Investment income	41 308	45 464	60 681
Share of associated companies' profits	25 891	8 392	34 410
Investment surplus	–	12 663	18 813
Impairment of goodwill and investments	(5 231)	–	(296 324)
Operating loss before taxation	(1 085)	(41 188)	(523 641)
Taxation	1 943	3 970	5 469
Loss before preference dividends and interest	(3 028)	(45 158)	(529 110)
Preference dividends and interest	(60 130)	(31 016)	(72 181)
Attributable to minorities	(273)	48 093	166 398
Loss attributable to ordinary shareholders	(63 431)	(28 081)	(434 893)
Reconciliation of headline loss			
Loss attributable to ordinary shareholders	(63 431)	(28 081)	(434 893)
Adjusted for:			
Investment surplus	–	(12 663)	(18 813)
Amortisation of goodwill	4 936	11 917	14 615
Profit on sale of assets	(33)	–	(21)
Impairment of goodwill and investments	5 231	–	296 324
Headline loss	(53 297)	(28 827)	(142 788)
Loss per share (cents)			
– Basic	(17,16)	(7,25)	(115,90)
– Headline	(14,42)	(7,44)	(38,00)
Weighted average number of shares in issue ('000)	369 721	387 417	375 294
Actual number of shares in issue at end of period (net of treasury shares) ('000)	371 177	376 768	367 530

ABRIDGED CONSOLIDATED CASHFLOW STATEMENT

	Six months ended 30 September 2002	2001	Year ended 31 March 2002

ABRIDGED CONSOLIDATED BALANCE SHEET

	30 September 2002 R'000 (unaudited)	2001 R'000 (unaudited)	31 March 2002 R'000 (audited)
ASSETS			
Non-current assets	1 924 869	3 123 363	2 618 524
Property, plant and equipment	79 579	89 332	84 484
Intangible assets	–	132 904	–
Deferred tax	–	–	49
Investments	1 845 290	2 901 127	2 533 991
Current assets	552 490	667 065	663 145
Total assets	2 477 359	3 790 428	3 281 669
EQUITY AND LIABILITIES			
Ordinary shareholders' equity	1 295 945	2 792 118	2 051 852
Minority shareholders' interest	11 092	116 645	15 844
Non-current liabilities and preference shares	770 894	435 632	743 903
Current liabilities	399 428	446 033	470 070
Total equity and liabilities	2 477 359	3 790 428	3 281 669
Net tangible asset value per share (cents)	349	741	558

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	NDR R'000	Loss R'000	Total R'000
Balances 1 April 2001	97 397	1 109 163	1 925 971	(267 350)	2 865 181
Share capital and premium					
Shares issued	200	2 040			2 240
Shares repurchased and cancelled	(3 205)	(41 665)			(44 870)
Share issue and cancellation costs		(2 178)			(2 178)
Treasury shares acquired by subsidiary	(2 510)	(30 934)			(33 444)
Current operations					
Loss attributable to ordinary shareholders				(434 893)	(434 893)
Transfer on realisation of investments			18 813	(18 813)	–

ABRIDGED CONSOLIDATED CASHFLOW STATEMENT

	Six months ended 30 September 2002 R'000 (unaudited)	Six months ended 30 September 2001 R'000 (unaudited)	Year ended 31 March 2002 R'000 (audited)
Cashflows from operating activities	(35 201)	14 514	(395 875)
Cashflows from investing activities	(9 526)	(99 502)	(21 624)
Cashflows from financing activities	32 831	276 195	541 779
(Decrease)/increase in cash and cash equivalents	(11 896)	191 207	124 280
Cash and cash equivalents			
At beginning of period	99 292	(24 988)	(24 988)
At end of period	87 396	166 219	99 292

Treasury shares acquired by subsidiary	(2 510)	(30 934)			(33 444)
Current operations					
Loss attributable to ordinary shareholders				(434 893)	(434 893)
Transfer on realisation of investments			18 813	(18 813)	–
Revaluation					
Current revaluation deficit			(300 184)		(300 184)
Balances 31 March 2002	91 882	1 036 426	1 644 600	(721 056)	2 051 852
Shares issued	662	4 638			5 300
Share issue costs		(13)			(13)
Treasury shares disposed of by subsidiary	250	1 987			2 237
Current operations					
Loss attributable to ordinary shareholders				(63 431)	(63 431)
Revaluation					
Current revaluation deficit			(700 000)		(700 000)
	92 794	1 043 038	944 600	(784 487)	1 295 945

COMMENTARY

ACCOUNTING POLICIES

The interim financial report to shareholders is prepared on the historical cost basis modified by the revaluation of investments and conforms with Statements of South African Generally Accepted Accounting Practice in accordance with AC127. The accounting policies of the group have been consistently applied.

RESTATEMENT OF COMPARATIVE FIGURES

Certain subsidiaries that were previously considered to be held for sale or subject to potential dilution were reclassified at 31 March 2002, resulting in the full consolidation of their assets, liabilities and results of operations with those of the rest of the group. To aid comparability, the 30 September 2001 figures have been restated. This has no effect on earnings per share for the six-month period ended 30 September 2001 as the group's share of losses had previously been accounted for.

REVIEW OF INVESTMENTS

Investments are revalued on an annual basis at the end of the financial year. The investment in Vodacom Group (Pty) Ltd has been written down to the net amount to be realised. No goodwill has been attributed to the investment in Midi TV (Pty) Ltd (*e-TV*).

Telecommunications

Vodacom Group (Pty) Ltd

Subject to the fulfillment of certain suspensive conditions, the group will dispose of its entire 5% interest in unlisted Vodacom Group (Pty) Ltd on 31 December 2002 for an amount of R1 500 040 000. Full details of the proposed disposal are contained in the circular to shareholders dated 29 November 2002.

Media and Broadcasting

Midi TV (Pty) Ltd (e-TV)

e-TV reported net losses for the period of R62,1 million before inter-group finance costs of R26,7 million. These results have been fully consolidated in the interim results with the group having to bear the full extent of the minority's share of these losses as well.

17:00 to 23:00 audience share of the channel increased by an average of 27,7% year-on-year, compared with the first six months of the prior year. Growth in revenue substantially exceeded this as a result of the boost from the Soccer World Cup.

With growth in audience to an average of close to 30%, the second half of this year

Financial services

Mettle Limited

Mettle reported headline earnings of R40,3 million for the six months ended 30 September 2002. The group has equity-accounted its proportionate share of these earnings in the interim results.

Notwithstanding the significant negative adjustments to the value of Mettle's treasury trading book, arising from the adoption of new accounting standards, annualised return on equity is a creditable 24,8%. In light of the adjustments made in the first half of the year, your directors expect Mettle to deliver solid results by year end.

As a result of the continuing share buyback programme in Mettle, HCI's interest in the equity of Mettle has increased from 39,1% to 41,2%.

OPERATIONS AND RESULTS FOR THE PERIOD

Business operations

The business operations of HCI include the making of investments in opportunities as identified by the board of directors and to add value to these investments over time. As such, HCI has consciously established itself and pursued an investment policy in terms of which it has endeavoured to maintain significant equity and capital participation in entrepreneurially run companies with significant growth potential. The investments are constantly reviewed and new ones sought to complement them. Your directors are confident that the group will deliver satisfactory growth in the future.

Interim results

The group reported a 41% decrease in operating losses for the period as compared to the previous interim period. This was attributable mainly to the growth in revenue during the period and improved cost efficiencies at operating subsidiaries. However, increased finance costs incurred in the funding of e-TV, and the group having to bear the full extent of e-TV's losses for the period, have resulted in a headline loss per share of 14,42 cents for the six months ended 30 September 2002 compared with the headline loss per share of 7,25 cents for the six months ended 30 September 2001. The largest contributor to the headline loss per share continues to be e-TV. The group's investment in associate companies contributed R25,8 million.

HCI SPECIFIC REPURCHASE OFFER

Subject to the approval of shareholders in a general meeting, HCI will implement a specific pro rata offer to HCI shareholders to repurchase 75% of their respective results with the group having to bear the full extent of the minority's share of these losses as well.

17:00 to 23:00 audience share of the channel increased by an average of 27,7% year-on-year, compared with the first six months of the prior year. Growth in revenue substantially exceeded this as a result of the boost from the Soccer World Cup.

With growth in audience to an average of close to 20%, the second half of this year should see growth in revenue and a reduction of the operating loss of the channel. The channel is currently expected to turn cash positive during the 2004 financial year.

Progress has been made to resolve the regulatory difficulties in relation to ICASA and HCI remains confident of a positive outcome.

Gaming

The commencement of trading operations in the route business is only expected to start in the new financial year. The group does not anticipate any major start-up problems once trading commences.

The group continues to hold its interest in On-line Gaming Systems Ltd (OGAM). Full provision for the impairment of this investment was made in the annual results for the year ended 31 March 2002. This investment remains speculative and continues to lose money.

with the headline loss per share of 7,23 cents for the six months ended 30 September 2001. The largest contributor to the headline loss per share continues to be e-TV. The group's investment in associate companies contributed R25,8 million.

HCI SPECIFIC REPURCHASE OFFER

Subject to the approval of shareholders in a general meeting, HCI will implement a specific pro rata offer to HCI shareholders to repurchase 75% of their respective holdings in the share capital of HCI, and any shares tendered in excess of 75% of their respective holdings, as the directors of HCI so resolve to accept. Full details of this proposed repurchase offer are contained in the circular to shareholders dated 29 November 2002.

DISTRIBUTIONS TO SHAREHOLDERS

The directors have decided not to declare a dividend for the six months ended 30 September 2002.

For and on behalf of the board of directors

MA Golding *Chairman*
JA Copelyn *Chief Executive Officer*

Durban
10 December 2002

Registered office: 3rd Floor, MB House, 641 Ridge Road, Durban, 4001 (PO Box 18881, Dalbridge, 4014)
Transfer secretaries: Computershare Investor Services Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, Johannesburg, 2107)
Directors: MA Golding *(Chairman),* JA Copelyn *(Chief Executive Officer),* MF Magugu*, VE Mphande*, AJ Shapiro*, AM Ntuli* *(non-executive)
Company secretary: TG Govender