Hosken Consolidated Investments Limited

Hosken

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 September 2005

41% increase in revenue

71% increase in headline earnings per share

110% increase in trading profit

56% increase in adjusted headline earnings per share

ABRIDGED CONSOLIDATED INCOME STATEMENT

	30 September 2005 R'000 (unaudited)	2004 R'000 (unaudited restated)	31 March 2005 R'000 (audited restated)
Revenue	**894 454**	634 859	1 413 422
Trading expenses	**(763 733)**	(572 741)	(1 251 046)
Trading profit	**130 721**	62 118	162 376
Transaction costs and raising fees	**(44 362)**	–	–
Investment income	**30 807**	18 793	50 627
Finance costs	**(38 165)**	(347)	(11 760)
Share of associated companies' profits	**52 060**	47 884	82 042
Negative goodwill released	**–**	109 036	102 470
Investment surplus	**3 408**	138 673	138 903
Fair value adjustments	**127 389**	–	5 505
Recoupment/(impairment) of investments	**–**	284	(9 606)
Profit before taxation	**261 858**	376 441	520 557
Taxation	**(82 009)**	(38 436)	220 666
Group profit	**179 849**	338 005	741 223
Attributable to:			
Equity holders of the parent	**155 667**	336 728	621 188
Minority interest	**24 182**	1 277	120 035
	179 849	338 005	741 223
Reconciliation of headline profit			
Profit attributable to equity holders of the parent	**155 667**	336 728	621 188
Adjusted for:			
Investment surplus	**(3 408)**	(138 673)	(134 456)
Impairment/(recoupment) of investments	**–**	(284)	9 606
Revaluation of investment properties	**–**	–	(2 109)
Negative goodwill released	**–**	(102 157)	(102 470)
Amortisation of goodwill	**–**	1 360	3 268
Impairment of assets	**–**	–	1 740
Profit on sale of assets	**(360)**	(19 606)	(24 869)
Headline profit	**151 899**	77 368	371 898
Deferred tax in respect of losses	**–**	–	(198 014)
Deferred tax in respect of STC credits	**21 863**	19 758	39 774
Adjusted headline profit	**173 762**	97 126	213 658
Earnings/(loss) per share (cents)			
– Basic	**131,88**	326,85	587,67
– Headline	**128,69**	75,10	351,83
– Adjusted headline	**147,21**	94,28	202,13
Weighted average number of shares in issue ('000)	**118 037**	103 022	105 704
Actual number of shares in issue at end of period (net of treasury shares) ('000)	**118 197**	104 336	117 997
Diluted earnings/(loss) per share (cents)			
– Basic	**128,16**	292,03	525,10
– Headline	**125,06**	67,10	314,37
– Adjusted headline	**143,06**	84,23	180,61
Weighted average number of shares in issue ('000)	**121 462**	115 307	118 299

ABRIDGED CONSOLIDATED BALANCE SHEET

	30 September 2005 R'000 (unaudited)	2004 R'000 (unaudited restated)	31 March 2005 R'000 (audited restated)
ASSETS			
Non-current assets	**6 116 481**	9 175 558	7 606 721
Property, plant and equipment	**534 946**	396 734	473 434
Goodwill	**14 887**	8 865	–
Intangibles	**5 017**	–	–
Deferred taxation	**373 001**	137 185	414 521
Financial assets	**3 951 221**	8 319 050	5 928 846
Long-term receivables	**15 538**	–	13 793
Investments	**1 221 871**	313 724	776 127
Current assets	**5 696 846**	4 786 865	6 661 292
Other	**1 132 007**	938 967	588 081
Financial assets	**4 367 829**	3 308 278	5 526 574
Cash and cash equivalents	**197 010**	539 620	546 637
Total assets	**11 813 327**	13 962 423	14 268 013
EQUITY AND LIABILITIES			
Equity	**1 786 789**	1 337 309	1 682 474
Equity attributable to equity holders of the parent	**1 567 256**	1 112 067	1 405 415
Minority interest	**219 533**	225 242	277 059
Non-current liabilities	**818 656**	82 937	196 053
Financial liabilities	**4 005 907**	8 377 689	5 987 449
Deferred taxation	**52 435**	49 514	33 907
Current liabilties	**5 149 540**	4 114 974	6 368 130
Other	**777 758**	813 694	838 141
Financial liabilities	**4 371 782**	3 301 280	5 529 989
Total equity and liabilities	**11 813 327**	13 962 423	14 268 013
Net asset carrying value per share (cents)	**1 326**	1 066	1 191

ABRIDGED CONSOLIDATED CASH FLOW STATEMENT

	30 September 2005 R'000 (unaudited)	2004 R'000 (unaudited restated)	31 March 2005 R'000 (audited restated)
Cashflows from operating activities	**(82 581)**	29 043	470 173
Cashflows from investing activities	**(818 051)**	(84 796)	(675 720)
Cashflows from financing activities	**529 410**	(19 054)	135 491
(Decrease)/increase in cash and cash equivalents	**(371 222)**	(74 807)	(70 056)
Cash and cash equivalents			
At beginning of period	**544 404**	404 082	404 082
On acquisition/disposal of subsidiaries	**17 867**	210 345	210 378
At end of period	**191 049**	539 620	544 404

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Non-distributable reserves R'000	Accumulated profits R'000	Minority interest R'000	Total R'000
Balances at 31 March 2004	25 755	484 493	84 071	184 725	282 864	1 061 908
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	–	–	–	621 188	120 035	741 223
Equity settled share-based payments	–	–	–	1 476	–	1 476
Currency translation differences	–	–	224	–	–	224
Negative goodwill released to equity	–	–	–	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	–	841 231	277 059	1 682 474
Share capital and premium						
Shares issued	50	5 050	–	–	–	5 100
Current operations						
Profit for the year	–	–	–	155 667	24 182	179 849
Equity settled share-based payments	–	–	–	1 074	–	1 074
Inclusion on acquisition	–	–	–	–	9 354	9 354
Capital repayments and dividends	–	–	–	–	(91 062)	(91 062)
Balances at 30 September 2005	**29 549**	**539 735**	**–**	**997 972**	**219 533**	**1 786 789**

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
Media and broadcasting	279 194	69 948	783 741	205 717	11 837	7 915
Financial services	54 289	20 613	8 564 426	8 417 870	2 322	1 111
Gaming, hotels and leisure	30 588	102 494	1 521 801	828 540	8 015	1 966
Information technology	7 929	7 613	84 408	42 387	235	366
Transport	319 731	50 139	340 480	256 346	52 194	10 079
Industrial	196 051	22 240	228 838	126 704	6 126	6 014
Other	6 672	(93 198)	289 633	148 974	1 665	29
	894 454	**179 849**	**11 813 327**	**10 026 538**	**82 394**	**27 480**

Taxation is included in other as follows: Assets R374 million, Liabilities R61,6 million and results R82 million.

No secondary segment report has been included as the group derives substantially all its revenues and income from within the Republic of South Africa.

COMMENTARY

INVESTMENTS

Media and broadcasting

Midi TV (Pty) Limited ("e-TV")

e-TV reported a 19% growth in operating profits for the current period in comparison to the comparative prior period.

The recovery of audience share commented on in our 2005 annual report has continued to strengthen with news and local soaps leading the way.

Given the buoyant advertising spend market, e-TV is well positioned to deliver similar levels of growth over the next six months.

Yired (Pty) Limited ("YFM")

Subsequent to the period under review, the group received the required approvals from the regulatory bodies for the acquisition of an effective 77,5% interest in YFM.

The radio station generated approximately R15 million profits after tax in the previous twelve months and future results will include the group's interest in these profits.

Gaming, hotels and leisure

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

Vukani presently operates limited payout gambling machines as a route operator under licence from four provincial gaming boards with operations in KwaZulu-Natal expected to commence shortly.

The company has recently been awarded a further licence in the Limpopo region. The licence is the only operator licence to be issued in the region and as such is of significant value to the company.

As reported in our 2005 annual report we have been rolling out about 100 machines per month in recent months. Gross gaming revenue per machine has gradually escalated in line with our best expectations.

During the period under review the business turned its first monthly operating profit with rapid growth in profitability being projected as further machines are rolled out.

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

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

As was previously reported, the group has a 32,07% interest in TIH and has entered into an agreement with the Fabcos Trust to acquire a further 19% (or 29%) effective interest in TIH. Shareholders are referred to announcements made for details of this acquisition, which remains subject to certain regulatory approvals. These approvals are expected during the next reporting period.

During the period under review the group equity accounted the earnings for the 32,07% interest in TIH which contributed R35,2 million to group headline earnings.

Johnnic Holdings Limited ("Johnnic")

During the period under review the group increased its interest in Johnnic to 39,7% and has been required by the Securities Regulation Panel to extend an offer to acquire all of the Johnnic shares that the group does not already own.

The group has made an offer to the remaining shareholders in Johnnic 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.

The group has received irrevocable undertakings from Johnnic shareholders holding 9,02 million Johnnic shares (5,4%) to accept the offer. The offer closes at 12:00 on Friday, 2 December 2005 and is subject to the approval of the Competition Authorities which is anticipated soon after 6 December 2005.

Shareholders are referred to announcements made and the circular issued by the company for further details of this offer.

As the group does not have control of Johnnic or representation on the Johnnic Board, the interest in Johnnic has been accounted for as an available for sale asset. Accordingly the investment in Johnnic has been marked up to market value of R11,26 per share at the reporting date resulting in a fair value gain of R108,9 million, net of tax, being included in the group's headline earnings.

Transaction costs and raising fees amounting to R44,3 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 period under review. These costs, which are non-recurring and relate specifically to these transactions, have been written off in computing headline earnings for the period.

Financial services

Mettle Limited ("Mettle")

Mettle is in the process of building substantial new businesses under its wing. These include Mettle Motor Loans which provides loan finance to purchasers of motor vehicles and Mettle Factors which provides loans to facilitate *inter alia* fixed property transactions. The debtors books in these businesses have grown to approximately R50 million to date and are geared. 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 has been well executed over the period with costs being well controlled.

Transport

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

GABS, which continues to perform well, contributed R31 million to group headline profit.

The company has invested in fifty new buses and has committed itself to ordering a further fifty new buses in the next period as part of its commitment to providing a modernised fleet. Passenger numbers have increased by approximately 5% over the last year. Notwithstanding substantial fuel price escalations, costs have been well contained.

Food and beverages

Clover Industries Limited ("Clover")

Subsequent to the period under review, 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 option to acquire a further 10% of the ordinary share capital in Clover for R10 million. 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 year ending 30 June 2005 reflect a turnover of R4,2 billion and an attributable loss of R38 million. 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 reduce costs and improve profitability. Revised product packaging and branding are expected to entrench Clover's market position.

Clover will in future be categorised as an associate company of the group with its results accordingly being equity accounted. It is expected that this investment will be profitable in the next financial year and will generate meaningful returns for the group in the coming years.

Information technology

Syntell (Pty) Limited ("Syntell")

During the period 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 company made R7,8 million in profits after tax for the current period. The group has consolidated these profits from 1 September 2005.

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. Each has performed well above expectations and this debt has 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. The operating profit before interest and tax of these companies collectively for the period under review was R27,1 million.

Other

The group disposed of its interest in Sukyae Land (Pty) Limited during the period under review for R25 million.

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.

Basis of preparation and accounting policies

The results for the six months ended 30 September 2005 have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with IAS 34 – Interim Financial Reporting and the Listings Requirements of the JSE Limited. All comparative information has been restated to comply with the new accounting policies. 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.

With effect from 1 April 2004 the group has implemented International Financial Reporting Standards (IFRS). Accordingly, the effects of the new standards have, for the first time, been presented in these interim results to shareholders. The adoption of IFRS has not resulted in any material adjustments to the prior period opening balances. However certain of the comparative figures have been restated to take into account the effects of the adoption of the following standards.

- 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.
- IAS32 – The gross value of financial assets and financial liabilities, which had previous been set off, have now been disclosed to comply with this standard. IAS32 now requires that a legal enforceable right of set-off must currently exist for set-off to occur.

Effects of adoption of IFRS and AC501 on group profit:	31 March 2005	30 September 2004
Group profit as previously reported	622 664	356 486
Effects of equity settled share-based payments – IFRS 2	(1 476)	–
Effects of first time adoption of AC501 – STC credits	–	(19 758)
Group profit as restated	621 188	336 728
Effects of adoption of AC501 on equity:		
Equity as previously reported	1 405 415	1 022 897
Effects of adoption of AC501 STC credits – accumulated profits	–	89 170
Equity as restated	1 405 415	1 112 067

The adoption of IFRS had no effect on equity as previously stated

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 recognised for unused STC credits to the extent that it is probable that future taxable profit will be generated against which the STC credits can be utilised. The comparative interim figures have been accordingly been restated to adjust for the effects of AC 501.

As a result of the first time application of AC 501 in the March 2005 results, Mettle, a wholly owned subsidiary of the group, has recognised a deferred tax asset in respect of STC credits held by its subsidiaries, as a prior year adjustment. These subsidiaries have historical contractual obligations to on-declare all such dividends received to third party clients, with the result that these credits are not available to the group for any other purpose. A margin is earned over the term of the contracts and the asset does not reflect the economic benefit arising from these transactions to the group. The income on these transactions (dividends) is accounted for on the yield to maturity basis and not on the declaration basis as is implicit in the application of the statement. The effect is that the asset raised and the income statement impact of the fluctuations in the value of the asset over time severely distort the economic reality of the group's results. Therefore, the group 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 R21,8 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 R92,7 million.

Results for the year

Basic earnings

Basic earnings per share amounted to 131,88 cents for the reporting period. Basic earnings per share reflects 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 increased from R77,3 million to R151,9 million. This represents an increase of R74,6 million during the current period. As stated above headline earnings include fair value gains in respect of the mark to market of the investment in Johnnic and non-recurring transaction costs and raising fees in respect of the Johnnic offer and Fabvest acquisition. Headline earnings per share increased from 75,1 cents to 128,7 cents.

Adjusted headline earnings

Adjusted headline earnings, which exclude the effects of net deferred tax assets raised in respect of unused tax losses and available STC credits, has once again been disclosed for so as to more accurately reflect the economic reality of the group's results. Adjusted headline earnings increased from R97,1 million to R173,7 million. Adjusted headline earnings per share also increased significantly from 94,28 cents to 147,21 cents. This increase is mainly due to the continued improved overall performance of the group's major investments during the period.

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 period under review.

For and on behalf of the board of directors.

MJA Golding
Chairman
Durban

JA Copelyn
Chief Executive Officer
25 November 2005

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TG Govender

Sponsor
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Investec Bank Limited
(Registration number 1969/004763/06)