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"

Unaudited group interim results for the six months ended 30 September 2006

44% increase in revenue

49% increase in headline earnings per share

196% increase in trading profit

117% increase in adjusted headline earnings per share

ABRIDGED CONSOLIDATED INCOME STATEMENT

	30 September 2006 R'000 (Unaudited)	30 September 2005 R'000 (Unaudited)	% Change	31 March 2006 R'000 (Audited)
Revenue	**1 227 071**	850 944	44	2 111 982
Trading expenses	**(969 121)**	(763 733)	27	(1 732 237)
Trading profit	**257 950**	87 211	196	379 745
Transaction costs and raising fees	**–**	(44 362)		(72 479)
Net funding income	**35 196**	43 510		14 243
Investment income	**71 727**	30 807	133	106 954
Finance costs	**(69 360)**	(38 165)	82	(118 210)
Share of associated companies' profits	**118 537**	52 060	128	152 099
Negative goodwill released	**–**	–		8 968
Investment surplus	**51 334**	3 408		3 177
Fair value adjustments of investment properties	**–**	–		1 593
Fair value adjustments of investments	**354**	127 389		11 506
Impairment of investments	**(2 021)**	–		(225)
Profit before taxation	**463 717**	261 858	77	487 371
Taxation	**(100 934)**	(82 009)		(200 889)
Group profit	**362 783**	179 849	102	286 482
Attributable to:				
Equity holders of the parent	**276 998**	155 667		231 195
Minority interest	**85 785**	24 182		55 287
	362 783	179 849		286 482
Reconciliation of headline profit				
Profit attributable to equity holders of the parent	**276 998**	155 667	78	231 195
Adjusted for:				
Investment surplus	**(40 587)**	(3 408)		(3 151)
Impairment of investments	**2 021**	–		–
Revaluation of investment properties	**–**	–		(9 837)
Negative goodwill on acquisition of subsidiary	**–**	–		(8 476)
Impairment of assets	**–**	–		1 673
Profit on sale of assets	**(1 358)**	(360)		(1 079)
Headline profit	**237 074**	151 899	56	210 325
Deferred tax in respect of losses	**–**	–		(23 891)
Deferred tax in respect of STC credits	**11 355**	21 863		67 163
Fair value adjustment in respect of Johnnic Holdings	**–**	(108 918)		–
Non-recurring transaction costs and raising fees	**–**	44 362		72 479
Adjusted headline profit	**248 429**	109 206	127	326 076
Earnings per share (cents)				
– Basic	**223,74**	131,88	70	192,90
– Headline	**191,49**	128,69	49	175,49
– Adjusted headline	**200,66**	92,52	117	272,06
Weighted average number of shares in issue ('000)	**123 806**	118 037		119 853
Actual number of share in issue at end of period (net of treasury shares) ('000)	**123 211**	118 197		122 882
Diluted earnings per share (cents)				
– Basic	**220,80**	128,16	72	188,39
– Headline	**188,98**	125,06	51	171,38
– Adjusted headline	**198,03**	89,91	120	265,70
Weighted average number of shares in issue ('000)	**125 450**	121 462		122 722

ABRIDGED CONSOLIDATED BALANCE SHEET

	30 September 2006 R'000 (unaudited)	30 September 2005 R'000 (unaudited)	31 March 2006 R'000 (audited)
ASSETS			
Non-current assets	**7 712 093**	6 116 481	7 099 468
Property, plant and equipment	**838 113**	521 217	795 130
Investment properties	**153 955**	13 729	154 235
Goodwill	**91 712**	14 887	82 683
Interest in associated companies	**1 273 129**	343 668	904 769
Investments	**120 320**	878 203	120 270
Intangibles	**3 941**	5 017	1 876
Deferred taxation	**295 213**	373 001	357 664
Financial assets	**4 636 740**	3 951 221	4 622 921
Operating lease equalisation asset	**4 300**	–	3 400
Long-term receivables	**294 670**	15 538	56 520
Current assets	**3 602 041**	5 696 846	3 441 241
Other	**1 265 163**	1 132 007	1 090 590
Financial assets	**1 711 495**	4 367 829	1 568 572
Bank balances and deposits	**625 383**	197 010	782 079
Total assets	**11 314 134**	11 813 327	10 540 709
EQUITY AND LIABILITIES			
Equity	**2 993 833**	1 786 789	2 586 291
Equity attributable to equity holders of the parent	**2 029 790**	1 567 256	1 751 429
Minority interest	**964 043**	219 533	834 862
Non-current liabilities	**5 649 386**	4 876 998	5 431 328
Financial liabilities	**4 674 666**	4 005 907	4 666 651
Deferred taxation	**51 131**	52 435	53 737
Long-term borrowings	**900 989**	818 656	688 640
Operating lease equalisation liability	**22 600**	–	22 300
Current liabilities	**2 670 915**	5 149 540	2 523 090
Other	**958 838**	777 758	951 765
Financial liabilities	**1 712 077**	4 371 782	1 571 325
Total equity and liabilities	**11 314 134**	11 813 327	10 540 709
Net asset value carrying per share (cents)	**1 647**	1 326	1 425

ABRIDGED CONSOLIDATED CASH FLOW STATEMENT

	30 September 2006 R'000 (unaudited)	30 September 2005 R'000 (unaudited)	31 March 2006 R'000 (audited)
Cashflows from operating activities	**214 595**	(82 581)	294 575
Cashflows from investing activities	**(592 848)**	(818 051	(1 441 057)
Cashflows from financing activities	**227 707**	529 410	594 572
(Decrease)/increase in cash and cash equivalents	**(150 546)**	(371 222)	(551 910)
Cash and cash equivalents			
At beginning of period	**768 755**	544 404	544 404
On acquisition/disposal of subsidiaries	**1 242**	17 867	776 261
At end of period	**619 451**	191 049	768 755
Bank balances and deposits	**625 383**	197 010	782 079
Bank overdrafts	**(5 932)**	(5 961)	(13 324)
Cash and cash equivalents	**619 451**	191 049	768 755

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Non-distributable reserves R'000	Share-based payment reserve R'000	Accumulated profits R'000	Minority interest R'000	Total R'000
Balances at 31 March 2005	29 499	534 685	–	1 476	823 853	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)**	**4 007**	**1 089 952**	**834 862**	**2 586 291**
Share capital and premium							
Shares issued	**275**	**34 225**	**–**	**–**	**–**	**–**	**34 500**
Shares repurchased	**(75)**	**(11 625)**	**–**	**–**	**–**	**–**	**(11 700)**
Treasury shares acquired by subsidiary	**(119)**	**(21 187)**	**–**	**–**	**–**	**–**	**(21 306)**
Current operations							
Profit for the year	**–**	**–**	**–**	**–**	**276 998**	**85 785**	**362 783**
Foreign currency translation differences	**–**	**–**	**(131)**	**–**	**–**	**–**	**(131)**
Effects of changes in holding	**–**	**–**	**–**	**–**	**–**	**49 896**	**49 896**
Capital reductions and dividends	**–**	**–**	**–**	**–**	**–**	**(6 500)**	**(6 500)**
	30 802	**630 364**	**(2 333)**	**4 007**	**1 366 950**	**964 043**	**2 993 833**

SEGMENT ANALYSIS

	Revenue			Group profit before tax		
	Six months ended 30 September 2006 R'000	Six months ended 30 September 2005 R'000	Year ended 31 March 2006 R'000	Six months ended 30 September 2006 R'000	Six months ended 30 September 2005 R'000	Year ended 31 March 2006 R'000
Media and broadcasting	**401 503**	279 194	669 786	**155 124**	69 948	178 245
Financial services	**26 001**	10 779	129 498	**21 939**	20 613	69 368
Gaming, hotels and leisure	**41 757**	30 588	90 016	**93 620**	24 479	103 763
Information technology	**58 340**	7 929	56 842	**16 471**	7 613	13 444
Transport	**372 198**	319 731	664 238	**56 747**	50 139	107 018
Industrial	**261 450**	196 051	431 592	**29 748**	22 240	36 781
Food and beverage	**–**	–	–	**14 433**	–	15 525
Exhibition and properties	**63 000**	–	67 000	**18 000**	–	22 000
Other	**2 822**	6 672	3 010	**57 635***	66 826*	(58 773)*
Total	**1 227 071**	850 944	2 111 982	**463 717**	261 858	487 371

** includes investment surplus*

COMMENTARY

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The results for the six months ended 30 September 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS), specifically IAS 34 on interim financial reporting 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 2006 and the six months ended 30 September 2005.

OVERVIEW OF RESULTS

Improved performance by the group's subsidiaries has resulted in revenue and trading profit increasing by 44% and 196% respectively when compared to the prior comparative period. The group's share of the profit of associated companies increased to R118 million for the period under review as compared to the R52 million reported in the prior comparative period. This increase is as a result of the inclusion of Johnnic's share of its associate's profits (Tsogo Sun and Suncoast Casino) and Clover now being classified as an associate. Investment income which increased by R40,9 million compared to the previous period, includes interest of R29 million on the loans provided to the Fabcos Trust and interest on the cash balances in Johnnic which were not consolidated in the previous period. Finance costs have risen as a result of the increased levels of debts associated with the acquisition of Johnnic.

Basic earnings per share amounted to 223,7 cents for the period. This represents a 70% increase when compared to the prior comparative period and is due to the continued improved performance of the group's major investments and the profit on the disposal of the group's interest in Tylon included in investment surpluses for the period under review.

Headline earnings increased during the year from R151,8 million to R237 million which represents an increase of 56%. Headline earnings for the prior comparative period includes non recurring transaction costs and raising fees amounting to R44,3 million in respect of the Johnnic offer and Fabvest acquisition and also fair value gains amounting to R108,9 million (net of tax) in respect of the mark to market of the investment in Johnnic.

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. To aid comparability adjusted headline earnings for the prior comparative period has been restated to exclude the fair value gain in respect of the investment in Johnnic and non recurring transaction costs and raising fees. Adjusted headline earnings increased from R109,2 million to R248,4 million. Adjusted headline earnings per share increased significantly by 117% from 92,52 cents to 200,66 cents. This increase is mainly due to the continued improved overall performance of the group's major investments during the period.

INVESTMENTS

Media and broadcasting

Midi TV (Pty) Limited ('e-TV") – 63% interest

Strong demand for advertising together with innovative sales strategies have resulted in e-TV producing excellent results for the period under review. With revenue increasing by 35% during the period and a minimal increase in operating costs, the station has doubled its profit after tax to R101,2 million.

Audience share has been stable during the period with news and local soaps holding their own in a very competitive environment.

As previously reported, future growth areas lie in the station's expansion into Africa with the station having acquired broadcasting licences in East and West Africa. The African venture provides new markets for the sale of e-TV's intellectual properties and programming rights without substantial cash resources being committed.

e-TV has also bid for a licence to participate in PAY-TV. If successful, the investment is expected to be significant and shareholders will be advised separately in this regard.

Yired (Pty) Limited ("YFM") – 77,5% interest

YFM is a Gauteng based radio station focusing mainly on the black urban youth market and has a weekly audience in excess of 1,2 million listeners.

The radio station has performed satisfactorily but below management's expectations.

Gaming, hotels and leisure

Vukani Gaming Corporation (Pty) Limited ("Vukani") – 100% interest

Vukani has been awarded licences to operate limited payout gambling machines as a route operator in five provinces in South Africa. The company is presently operational in Mpumalanga, Western Cape and Eastern Cape and more recently in Limpopo. Operations are expected to commence in KwaZulu-Natal during the second half of the current financial year.

The roll out of machines continues to be slow with approximately 40 machines being rolled out per month during the period under review. Gross gaming revenue per machine continues to grow steadily on a month on month basis as more sites are rolled out.

The business is profitable with cash injections required only for initial capital expansion as machines are rolled out in new sites. As more sites are rolled out, profits are expected to increase significantly.

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") – 51% interest (including Johnnic's 19%)

Currently HCI directly owns 32,07% of TIH. Johnnic owns an additional 19,0%.

The group entered into an agreement with the Fabcos Group to acquire a further 19% effective interest in TIH ("the Fabcos acquisition"). The Fabcos acquisition remains subject to approvals from certain Provincial Gaming Regulators. Approval has been obtained from the KwaZulu-Natal and Eastern Cape Gaming Boards. Approvals from the other Gaming Boards are expected during the current financial year.

The group has also entered into an agreement for the acquisition of a further 4,6% interest in TIH which remains subject to certain regulatory approvals.

The total interests of the group in TIH after all the above mentioned transactions are approved and implemented will therefore amount to 74,6%, resulting in an effective economic interest, after taking the Johnnic minorities into consideration, of 65%.

During the period under review the group equity accounted its share of the earnings of TIH. This amounted to R54,5 million before accounting for the Johnnic minorities earnings. Once the Fabcos 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.

The group has made an offer of R750 million to the shareholders of Nafcoc Investment Holding Company (Pty) Limited ("Nafhold") for the entire issued share capital of Nafhold, subject to certain terms and conditions. Nafhold's primary asset is a 25% interest in TIH. Shareholders are referred to announcements made in this regard.

Johnnic Holdings Limited ("Johnnic") – 51% interest

Johnnic has increased its effective interest in Durban Add-Ventures Limited ("DAV") to 75% via a capitalisation and rights offer resulting in the injection of R191,7 million into DAV to fund DAV's commitments in respect of its 40% interest in the Suncoast Casino and Entertainment World ("Suncoast"). This has resulted in Johnnic now owning an effective interest of 30% interest in Suncoast, after accounting for minorities in DAV.

The process of the disposal of the group's interest in the exhibition business of Gallagher Estate Holdings Limited ("Gallagher Estates"), in accordance with the ruling of the Competition Tribunal when HCI acquired control of Johnnic, is continuing. Various bids have been received from interested parties and the group is presently evaluating these.

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 R108,9 million, net of tax, being included in the group's interim headline earnings for the comparative period. On the group acquiring control of Johnnic in December 2005, this fair value gain was reversed and the group's share of Johnnic's profit after tax were fully consolidated, from that date, in the results for the year ended 31 March 2006 in accordance with IFRS 3: Business Combinations. Accordingly, adjusted headline earnings per share for the prior comparative period has been restated to exclude this fair value gain.

Johnnic's reported profit after tax for the period under review amounted to R59 million of which the majority relates to Johnnic's gaming interests which income is included in the group's share of associated companies' profit. Shareholders are referred to Johnnic's results for its performance and activities.

Financial services

Mettle Limited ("Mettle") – 100% interest

Mettle's start up businesses, namely 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, have performed in line with expectation. The debtors' books in these businesses are geared and have grown rapidly during the period under review. Mettle Factors is presently profitable whilst Mettle Motor Loans is expected to become profitable within the next two years. 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.

During the period under review, Mettle's traditional business contributed R20,7 million to group headline earnings.

Transport

Golden Arrow Bus Services (Pty) Limited ("GABS") – 100% interest

GABS continues to perform well reporting profits after tax of R45 million for the period under review, which represents an increase of 34% when compared to the prior year. Passenger numbers have increased steadily. There has been an increase in fares of 4,5% to combat the rising fuel costs during the period.

As part of its commitment to providing a modernised fleet, the company has continued to invest in new buses during the period under review.

Food and beverages

Clover Industries Limited ("Clover") – 46,3% economic interest

The group continued to hold its 25,1% interest in the ordinary share capital of Clover but had increased its investment in Clover preference shares to 38,5 million shares by acquiring a further 2,45 million preference shares on the open market. This results in the group presently holding an effective 46,3% economic interest in Clover.

Clover's results for the year ending 30 June 2006 reflect some improvement in profitability in relation to the prior year but it is not performing to HCI management's expectations. It is hoped plans of the board, in relation to the ongoing commercialisation of the company's operations will result in further improvements in profitability in future periods.

Clover has been classified as an associate company of the group. The group has equity accounted its share of the profits of Clover amounting to R14,4 million for the period under review.

Information technology

Syntell (Pty) Limited ("Syntell") – 50,01% interest

Syntell provides electronic monitoring of traffic and traffic violations to municipalities throughout South Africa.

Subsequent to the period under review Syntell was awarded a significant contract to provide monitoring services to the Johannesburg Municipality. It is anticipated that the awarding of this contract will significantly enhance its profitability.

Syntell reported profits after tax of R9,8 million for the period under review. The group has fully consolidated the profits of this company in these results.

Industrial

The group 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 these businesses to perform above expectation.

During the period under review, the group disposed of its interest in Tylon, realising a net surplus of R40,5 million after tax.

Subsequent to the period under review, the group has concluded an agreement for the disposal of its interest in Johnson Crane Hire for an after tax consideration of R105 million.

HCI sees potential to expand the operations of Formex both organically and by acquisition in the future and has also increased its stake in Formex from 80% to 90% during the period under review.

HCI Khusela Coal

HCI acquired 80% of HCI Khusela Coal ("HKC") effective 3 August 2006. HCI Khusela Coal is focused on the acquisition, exploration and mining of bituminous and metallurgical coal resources in Southern Africa. Two properties were acquired by HKC prior to 30 September, with a third property acquired thereafter. Perfection of these transactions requires the approval of the DME of the cessions of the applicable prospecting rights to HKC, which approvals are still pending, but are expected in the current financial year. The first reserve, located in Bronkhorstspruit can be classified in terms of the SAMREC as a measured resource. The total tons *in-situ* resource is 22 million tons of coal with a beneficiated heat value of 21 MJ/kg. The second, located in Ogies, cannot be yet be classified in terms of SAMREC code and is termed a reconnaissance resource. The gross tons *in-situ* of this resource has been calculated using only the No. 4 seam and is estimated to be 8 million tons over a total area of 129 ha. The third resource, also located in Ogies, is a reconnaissance resource. The gross tons *in-situ* estimated to be 8,3 million tons.

DISTRIBUTION TO SHAREHOLDERS

The directors have decided not to declare or pay any dividends for the period under review. A distribution to shareholders will be considered once the board has more clarity on the Nafhold offer.

MJA Golding
Chairman
Durban

JA Copelyn
Chief Executive Officer
22 November 2006

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TG Govender

Sponsor
Investec Corporate Finance
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