



Hosken Consolidated Investments Limited

Incorporated in the Republic of South Africa
Registration number 1973/007111/06

Share code: HCI ISIN: ZAE00003257
"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 | 30 September 2005 | % Change | 31 March 2006 |
|--|-------------------|-------------------|----------|---------------|
| | R'000 | R'000 | | R'000 |
| | (Unaudited) | (Unaudited) | | (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 | 30 September 2005 | 31 March 2006 |
|---|-------------------|-------------------|---------------|
| | R'000 | R'000 | R'000 |
| | (unaudited) | (unaudited) | (audited) |
| ASSETS | | | |
| <i>Non-current assets</i> | 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 |
| <i>Current assets</i> | 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 | | | |
| <i>Equity</i> | 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 |
| <i>Non-current liabilities</i> | 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 |
| <i>Current liabilities</i> | 2 670 915 | 5 149 540 | 2 523 900 |
| 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 | 30 September 2005 | 31 March 2006 |
|--|-------------------|-------------------|---------------|
| | R'000 | R'000 | R'000 |
| | (unaudited) | (unaudited) | (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 |
| <i>Share capital and premium</i> | | | | | | | |
| 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) |
| <i>Current operations</i> | | | | | | | |
| 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 |
| <i>Share capital and premium</i> | | | | | | | |
| Shares issued | 275 | 34 225 | – | – | – | – | 34 500 |
| Shares repurchased | (75) | (11 625) | – | – | – | – | (11 700) |
| Treasury shares acquired by subsidiary | (119) | (21 187) | – | – | – | – | (21 306) |
| <i>Current operations</i> | | | | | | | |
| 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 | Six months ended 30 September 2005 | Year ended 31 March 2006 | Six months ended 30 September 2006 | Six months ended 30 September 2005 | Year ended 31 March 2006 |
| | R'000 | R'000 | R'000 | R'000 | R'000 | 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 Nafoc 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