2008

UNAUDITED GROUP INTERIM RESULTS

for the six months ended 30 September 2008

Hosken Consolidated Investments Limited

Corporate Administration

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* Non-executive
\# Independent non-executive

WEBSITE ADDRESS

www.hci.co.za

COMPANY REGISTRATION NUMBER

1973/007111/06

SHARE CODE

HCI ISIN: ZAE000003257

COMPANY SECRETARY AND REGISTERED OFFICE

HCI Managerial Services (Pty) Limited
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BANKERS

First National Bank of Southern Africa Limited

SPONSOR

Investec Bank Limited
100 Grayston Drive
Sandton, Sandown, 2196

TRANSFER SECRETARIES

Computershare Investor Services Limited
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Johannesburg, 2001

P O Box 1053
Johannesburg, 2000

20% increase in group revenue

14% increase in EBITDA

39% decline in profit for the period

Business Segments

as at 13 November 2008

GAMING AND HOTELS

MEDIA AND BROADCASTING

TRANSPORT

INDUSTRIAL

FOOD AND BEVERAGES

SERVICES AND TECHNOLOGY

ENERGY

Tsogo Investment
Holding Company
74.7%

Vukani Gaming
Corporation
100%

e.tv
63%

Yired
63%

e sat.tv
Communications
63%

Golden Arrow
Bus Service
100%

Gallagher
100%

PROPERTY AND
EXHIBITIONS

Formex
Engineering
90%

Johnson Access
85%

Clover
44%

Seardel Limited
70%

CLOTHING AND
TEXTILES

Business Systems
Group (Africa)
40%

Syntell
55%

Isilumko
30.1%

Limtech
58.9%

Montauk
Energy Capital
91.5%

HCI
Khusela Coal
80%

Abridged Consolidated Income Statement

	30 September 2008 R'000 (unaudited)	30 September 2007 R'000 (unaudited)	% Changes	31March 2008 R'000 (audited)
Revenue	**3 298 401**	2 482 439	**33**	5 522 361
Net gaming win	**1 685 452**	1 688 668		3 392 232
Group revenue	**4 983 853**	4 171 107	**20**	8 914 593
Other operating expenses	**(3 400 191)**	(2 777 120)		(5 727 758)
EBITDA	**1 583 662**	1 393 987	**14**	3 186 835
Depreciation and amortisation	**(294 764)**	(244 241)		(495 626)
	1 288 898	1 149 746	**12**	2 691 209
Investment income	**56 876**	32 030		111 985
Finance costs	**(228 041)**	(137 846)		(344 470)
Share of profits of associates and joint ventures	**966**	118 820		188 036
Negative goodwill released	**-**	2 836		4 885
Investment surplus	**66 844**	56 391		83 884
Other impairment reversals	**-**	-		30 175
Fair value adjustments of investment properties	**-**	-		29 171
Fair value adjustments of financial instruments	**(207 300)**	-		(57 956)
Impairment of goodwill and investments	**(2 000)**	-		(12 422)
Profit before taxation	**976 243**	1 221 977	**(20)**	2 724 497
Taxation	**(471 785)**	(364 917)		(867 535)
Profit for the period from continuing operations	**504 458**	857 060	**(41)**	1 856 962
Discontinued operations	**1 604**	(23 205)		(17 934)
Profit for the period	**506 062**	833 855	**(39)**	1 839 028
Attributable to:				
Equity holders of the parent	**207 192**	421 740	**(51)**	871 855
Minority interest	**298 870**	412 115	**(28)**	967 173
	506 062	833 855		1 839 028

Abridged Consolidated Income Statement Continued

	30 September 2008 R'000 (unaudited) Gross	30 September 2008 R'000 (unaudited) Net	30 September 2007 R'000 (unaudited) Gross	30 September 2007 R'000 (unaudited) Net	31 March 2008 R'000 (audited) Gross	31 March 2008 R'000 (audited) Net
Reconciliation of headline earnings						
Earnings attributable to equity holders of the parent		**207 192**		421 740		871 855
IAS 16 gains on disposal of property	**(10 400)**	**(3 739)**	(38 900)	(9 481)	(38 898)	(10 418)
IAS 16 gains/(losses) on disposal of plant and equipment	**267**	**96**	592	534	403	967
IAS 16 impairment of plant and equipment					2 500	264
IAS 39 impairment of investments	**600**	**300**			7 534	5 752
IFRS 3 Impairment of goodwill	**1 400**	**1 018**			4 888	4 888
IFRS 3 Negative goodwill			(2 836)	(1 418)	(4 885)	(2 613)
IFRS 3 Excess of fair value of assets of an associate		**-**			4 489	1533
IAS 28 gain on disposal of associates	**(8 840)**	**(8 840)**	(56 348)	(56 403)	(75 394)	(59 855)
IAS 36 reversal of impairments		**-**			(30 175)	(19 306)
IAS 27 profit from disposal/part of subsidiary	**(56 873)**	**(41 775)**			(7 209)	(7 209)
IAS 40 fair value adjustment to investment property		**-**			(29 171)	(24 519)
Re-measurements included in equity-accounted earnings of associates				(72 532)		(71 799)
Headline profit		**154 252**		282 440		689 540

	30 September 2008 R'000 (unaudited)	30 September 2007 R'000 (unaudited)	% Changes	31 March 2008 R'000 (audited)
Earnings per share (cents)				
- Basic	**167**	339	**(51)**	702
- Headline	**124**	227	**(45)**	555
Weighted average number of shares in issue ('000)	**124 179**	124 384		124 179
Actual number of share in issue at end of period (net of treasury shares) ('000)	**123 851**	123 954		123 896
Diluted earnings per share (cents)				
- Basic	**163**	331	**(51)**	685
- Headline	**121**	222	**(45)**	542
Weighted average number of shares in issue ('000)	**127 404**	127 349		127 304

Balance Statement

	30 September 2008 R'000 (unaudited)	30 September 2007 R'000 (unaudited)	31 March 2008 R'000 (audited)
ASSETS			
Non-current assets	**11 300 483**	10 582 856	9 686 353
Property, plant and equipment	**8 003 318**	6 256 230	6 876 854
Investment properties	**182 933**	198 302	182 665
Goodwill	**1 238 485**	725 855	846 098
Interest in associates and joint ventures	**639 106**	640 028	753 567
Other financial assets	**347 057**	192 659	353 159
Other intangible assets	**259 470**	305 901	286 559
Deferred taxation	**215 992**	283 919	255 004
Financial assets	**-**	1 626 373	-
Operating lease equalisation asset	**4 430**	4 988	4 980
Non-current receivables	**409 692**	348 601	127 467
Current assets	**2 886 667**	4 902 018	2 540 922
Other	**1 979 100**	1 848 615	1 867 932
Financial assets	**-**	2 269 653	-
Bank balances and deposits	**907 567**	783 750	672 990
Non-current assets held for sale	**2 120**	-	3 855 894
Total assets	**14 189 270**	15 484 874	16 083 169
EQUITY AND LIABILITIES			
Equity	**5 902 966**	5 566 459	6 232 034
Equity attributable to equity holders of the parent	**3 265 545**	2 422 082	2 940 494
Minority interest	**2 637 421**	3 144 377	3 291 540
Non current liabilities	**5 146 737**	4 681 611	3 169 265
Financial liabilities	**-**	1 652 953	-
Deferred taxation	**492 102**	480 791	511 902
Borrowings	**4 237 246**	2 190 128	2 259 258
Operating lease equalisation liability	**284 630**	273 679	279 521
Other	**132 759**	84 060	118 584
Current liabilities	**3 139 567**	5 236 804	2 917 685
Other	**3 139 567**	2 972 962	2 917 685
Financial liabilities	**-**	2 263 842	-
Non-current liabilities held for sale	**-**	-	3 764 185
Total equity and liabilities	**14 189 270**	15 484 874	16 083 169
Net asset value per share (cents)	**2 637**	1 954	2 373

Abridged Statement of Changes in Equity

	30 September 2008 R'000 Unaudited	30 September 2007 R'000 Unaudited	31 March 2008 R'000 Audited
Balance at beginning of year	**6 232 034**	4 937 311	4 937 311
Share capital and premium			
Shares issued	**79 102**	36 000	42 500
Shares repurchased	**-**	(67 000)	(67 000)
Treasury shares released	**-**	-	1 441
Treasury shares acquired by subsidiary	**(22 950)**	(6 066)	(27 333)
Current operations			
Profit for the year	**506 062**	833 855	1 839 028
Equity settled share-based payments	**1 413**	530	1 816
Transfers	**2 454**	-	(5 621)
Revaluations	**433 920**	(6 150)	20 656
Foreign currency translation differences	**5 842**	(32 710)	127 590
Hedging	**10 694**	-	(19 427)
Effects of changes in holding	**(597 838)**	28 558	(235 244)
Capital reductions and dividends	**(747 767)**	(157 869)	(383 683)
Balance at end of year	**5 902 966**	5 566 459	6 232 034

Abridged Consolidated Cashflow Statement

	30 September 2008 R'000 (unaudited)	30 September 2007 R'000 (unaudited)	31 March 2008 R'000 (audited)
Cashflows from operating activities	**661 868**	861 620	1 476 136
Cashflows from investing activities	**(2 193 107)**	(389 717)	(1 593 668)
Cashflows from financing activities	**1 735 040**	(454 110)	11 973
(Decrease)/increase in cash and cash equivalents	**203 801**	17 793	(105 559)
Cash and cash equivalents			
At beginning of period	**621 719**	710 445	710 445
Foreign exchange difference	**(4 124)**	-	16 833
At end of period	**821 396**	728 238	621 719
Bank balances and deposits	**907 567**	783 750	672 990
Bank overdrafts	**(86 171)**	(55 512)	(100 547)
Bank balances classified as held for sale	**-**	-	49 276
Cash and cash equivalents	**821 396**	728 238	621 719

Segmental Analysis

Revenue	30 September 2008 R'000	30 September 2007 R'000	31 March 2008 R'000
Media and broadcasting	**744 979**	544 555	1 175 169
Limited payout gaming	**3 464**	-	3 075
Casino gaming	**294 000**	271 850	610 122
Hotels	**1 022 850**	778 300	1 665 645
Information technology	**117 943**	104 895	204 662
Transport	**469 926**	392 876	782 416
Industrial	**437 275**	235 482	737 041
Energy	**130 724**	81 731	177 357
Exhibition and properties	**67 562**	72 750	144 706
Other	**9 678**	-	22 168
Total	**3 298 401**	2 482 439	5 522 361
Net gaming win			
Limited payout gaming	**103 052**	70 368	169 242
Casino gaming	**1 582 400**	1 618 300	3 222 990
Total	**1 685 452**	1 688 668	3 392 232
EBITDA			
Media and broadcasting	**267 068**	238 485	481 567
Limited payout gaming	**17 976**	19 658	30 611
Casino gaming	**749 690**	739 530	1 645 007
Hotels	**365 719**	188 970	647 600
Information technology	**28 781**	25 742	50 970
Transport	**67 397**	82 610	174 049
Industrial	**47 596**	27 785	76 099
Exhibition and properties	**23 073**	27 622	42 386
Energy	**19 710**	15 150	46 486
Other	**(3 348)**	28 435	(7 940)
Total	**1 583 662**	1 393 987	3 186 835
Profit before tax			
Media and broadcasting	**220 812**	225 171	459 698
Financial services	**-**	9 885	38 310
Limited payout gaming	**5 772**	10 945	11 656
Casino gaming	**426 387**	609 568	1 312 303
Hotels	**321 366**	161 986	600 407
Information technology	**23 961**	26 671	45 705
Transport	**32 903**	58 812	116 905
Industrial	**21 427**	13 592	37 550
Food and beverage	**(4 717)**	83 905	129 802
Exhibition and properties	**22 869**	26 351	73 140
Energy	**(114 963)**	(43 644)	(107 919)
Other	**20 426**	38 735	6 940
Total	**976 243**	1 221 977	2 724 497

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The results for the six months ended 30 September 2008 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically IAS 34: 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 2008.

Consolidation of Tsogo Sun Holdings (Pty) Limited

IFRS 3 - Business combinations requires that both the identified and unidentified assets and liabilities of the entity being acquired be valued at the date of acquisition and that these values be used in accounting for the business combination.

As an alternative treatment IFRS 3 allows the business combination to be accounted for using provisional figures provided the final accounting is completed with 12 months.

At 30 September 2007 the acquisition of Tsogo Sun Holdings (Pty) Ltd ("Tsogo Sun") had been accounted for using the carrying value of assets and liabilities as shown on the balance sheet of Tsogo Sun at the date of acquisition (1 December 2006).

The required adjustments arising from the detailed assessment of the Tsogo Sun's assets, liabilities and contingent liabilities were reflected in the results for the year ended 31 March 2008.

Accordingly the 30 September 2007 results have been restated to take these adjustments into account. These adjustments relate to the upwards revaluation of property, plant and equipment on business combination in the amount of R1 251 million, a reduction of R297 million of goodwill and an increase in minority interest of R592 million. As a result of the revaluation, the depreciation charge for the six months ending 30 September 2007 has increased by R6,5 million.

Discontinued operations and non-current assets held for sale

Discontinued operations as disclosed in the group income statement and non-current assets/liabilities as disclosed in the group balance sheet, for the current period relate to certain passive landfill sites that a subsidiary, Johnnic Holdings USA, has taken a decision to dispose of in the next 12 months.

As previously disclosed, the group had entered into agreements to dispose of its interest in the Mettle Group of Companies. At 31 March 2008 the conditions precedent had not yet been fulfilled and these businesses had been classified as discontinued operations with their assets and liabilities being disclosed as held for sale and the results of their operations being disclosed as discontinued operations. The September 2007 income statement has been restated on this basis. The transaction became unconditional on 9 July 2008.

Group results

The group has achieved significant increases in group revenue (20%), EBITDA (14%) and operating profits (12%) for the six months under review when compared to the six months ended 30 September 2007 ("the prior comparative period") despite a difficult trading environment. Strong revenue growth in hotels, media and industrial businesses resulted in an increase in the group EBITDA despite a decline in EBITDA in the transport business due to higher fuel costs.

Finance costs for the period have increased significantly primarily as a result of the increased level of group borrowings, the majority of which was used to increase HCI's interest in Tsogo Sun.

Profit from associates for the period is lower than that reported in the prior comparative period primarily because of the drop in the earnings of Clover Industries

Limited, which in the prior year had included profits from the sale of the Ultramel business to Danone.

Investment surpluses relate mainly to profits on the disposal of the Mettle Group of Companies including the group's interest in Noah Financial Innovation.

The fair value adjustments of financial instruments relates to the following:

- R136 million fair value losses charged by Tsogo Sun to its income statement. These fair value losses relate to the mark to market of the Tsogo Sun's initial 5% investment in the issued share capital of Gold Reef Resorts Limited ("GRR"). Following the acquisition by Tsogo Sun of a further 15% interest in GRR subsequent to the period under review, the investment will in future be accounted for as an associate, with Tsogo Sun holding a 20% interest in GGR.
- The group's USA subsidiary Montauk Energy Corporation LLC (MEC) had as part of its price hedging strategy purchased natural gas price put contracts from Lehman Brothers Commodity Services, Inc. (LBCS). On 3 October 2008 LBCS filed a petition in the United States Bankruptcy Court seeking relief under Chapter Eleven of the United States Bankruptcy Code, triggering default under the terms of the contracts. On 8 October 2008 MEC exercised its right under the terms of the contracts to terminate the remaining put option contracts with LBCS and claim early termination damages from LBCS of approximately $6.6 million. The bankruptcy filing of LBCS was the culmination of publicized defaults by LBCS relating to other third party claims prior to 30 September 2008. As a result of the uncertainty that existed at 30 September 2008 relating to the creditworthiness of LBCS, MEC has effectively as of 1 April 2008 discontinued the hedge accounting that had previously been applied to the LBCS put contracts and as at 30 September 2008 fully impaired the carrying value of the LBCS put contracts. The total pre-tax loss recognized by MEC in the six months under review relating to the LBCS hedges amounted to approximately $8.6 million (R70,6m).

Primarily as a result of the above non recurring and non cash charges, the profit before tax for the six month period decreased to R 976 million from R1 221 million in the prior comparative period, likewise headline earnings have decreased during the period to R154 million from R282 million in the prior comparative period.

Group Balance sheet

Property, plant and equipment has increased significantly following expansionary capital expenditure in the coal business, media business primarily due to the 24hour e-News channel being launched and the gaming and hotels businesses.

Goodwill increased primarily due to the acquisition of the remaining shares in Johnnic Limited that the group did not already own.

Non-current liabilities at 30 September 2008 comprise non-recourse debt that is presently ringfenced in operating subsidiaries R 2 937 million (2007: R1 628 million) and recourse debt at the HCI corporate level R1 300 million (2007: R562 million).

During the period under review the company issued 1 005 744 ordinary shares as part of the consideration paid to acquire the remaining shares in Johnnic Holdings Limited.

INVESTMENTS

Media and broadcasting

Sabido Investments (Pty) Limited ("Sabido") - 63% interest

The group's media and broadcasting investments are housed in Sabido. Sabido's major investments include the free to air television channel e.tv, Gauteng-based radio station Yfm, Cape Town Film Studios, satellite television licence holder e.sat tv, including the 24 hour e-News channel and mobile solutions and innovations provider ViaMedia.

This sector has continued to perform well with e.tv's audience share increasing gradually. Revenues have likewise continued steadily upward.

Both the Botswana TV and e-News channel have been successful start ups and are useful additions to the HCI media stable. We have expensed all start up costs on these ventures as they were incurred resulting in the EBITDA climbing at a slower rate than the associated revenue (12% compared with 36,8%). Increased finance costs to fund capital equipment purchased for the e-News channel resulted in the profit before tax declining some 2% on the comparable period. We remain confident, however, that the news channel will become a profitable business over the next 12 months.

Viamedia continues to perform well in line with management's expectations.

The Cape Town Film Studios are finally starting to happen. The preparation of the site is nearly complete and the awarding of the tender to construct the studios is scheduled for the end of 2008. The studios are likely to take a further 15 months to complete and we accordingly expect the business will become operational in the financial year 2011.

Other media related properties are performing well, including Sasani Studios.

The single disappointment has been the radio station which has not yet managed to turn increased listenership into revenue.

Gaming and hotels

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

Vukani, the group's limited payout machine operator, increased its installed based to 2465 machines. The outcome of the group's bid for a license in Gauteng is eagerly awaited and is expected in early December. A review application has been filed in Free State to challenge the outcome of Vukani's unsuccessful bid to obtain a license in the province.

Subsequent to the period end, Vukani acquired Luck Holdings, a route operator that holds licenses in KZN, Mpumalanga and Limpopo. The acquisition will add 405 machines to Vukani's machine base and provide it with a license to operate an additional 1000 LPM's in KZN.

The gross profit of the business has increased to 41% from 38% due to lower machine rental charges. The average daily gross gaming revenue ("GGR") per machine has increased despite the fact that very few machines were rolled out in the Western Cape, where the average daily GRR per machine is significantly higher than other provinces. EBITDA however did not increase in line with the increase in turnover due to certain non-recurring expenses, the costs of the Gauteng office incurred in anticipation of the Gauteng license and the start-up costs incurred in establishing the ATM and VPlay divisions, all of which were expensed.

We remain confident that Vukani will become a substantial contributor to group EBITDA once the roll-out is completed.

Tsogo Sun Holdings (Pty) Limited ("TSH") - 38% interest

The group's casino and hotel interests are held via holdings in Johnnic Holdings Ltd ("Johnnic") and Tsogo Investment Holding Company (Pty) Ltd ("TIH").

HCI is pleased to report that litigation with the Mpumalanga Gaming Board following its refusal to grant approval in respect of our acquisition of the Fabcos interest in TIH has been settled and the approval granted by consent. The group has further increased its stake in TIH by buying out the minority shareholders in Johnnic and delisting it. The consequence has been to increase our holdings in

TSH to 38% and our interest in Sun Coast to 46,5%. These increased holdings again require approval of relevant Gaming boards and we are currently awaiting progress in this regard though we do not anticipate any undue delay.

The group has further increased its holdings in the casino industry by TSH acquiring a 20% stake in Gold Reef Casino Resorts. TSH are responsible for the voting of an additional 10% of the shares of the company by virtue of being the majority holder of shares in the BEE voting pool of the company.

In general the results show flat revenue in the casino sector, which we find acceptable particularly in light of the fact that the comparable period was one in which a new casino entrant in the Gauteng market had not yet started operation. The hotel sector remains buoyant and is expected to remain so.

Financial services

The group disposed off its interest in the Mettle group of companies with effect from 9th July 2008. The group's 49% interest in Noah Financial Innovation was also sold during the current period for R13,2m. Certain property bare dominiums were retained.

Transport

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

The lower level of profitability in GABS is the result of our decision not to try to recover all of the rapidly escalating diesel costs from customers in the period under review. Now that these prices have stabilized, we anticipate that the next six months will result in margins being more in line with the past and accordingly are confident in the performance of the business over the remainder of the year. We have continued our rapid fleet renewal program and have purchased a further 40 buses in the period under review. We have likewise spent capital on extending depot facilities which will be completed by year end, to manage the steadily growing fleet.

Food and beverages

Clover Industries Limited ("Clover") - 44% economic interest

Clover's earnings of R119 million, for the 12 months ended 30 June 2008, showed an improvement from the preceding period. This was mainly due to a very good 6 months of trading leading up to December 2007 which realised an attributable profit of R94 million. The results for the next 9 months declined significantly, with the result that Clover's equity accounted earnings for the 6 month period ending September, amounted to a loss of R11 million compared to R12 million profit (excluding the effect of the Ultramel sale) for the corresponding period last year.

The decline in earnings results reflect a market which is now characterised by an over-supply of milk by producers and a slowdown in retail sales as a result of the economic climate. Significantly Clover's interest cost has also increased by R43 million in the last financial year and it is expected that the higher working capital requirements will increase this cost even more for the next financial year.

As indicated in our annual report, Clover's business model is dependent on volume in order to amortise its fixed cost base. In order to prosper in the current market conditions Clover must become more efficient. The requisite efficiency improvements are currently constrained by a lack of capital and the board of Clover and its management have indicated that they are investigating alternatives to address the recapitalisation of the group. Progress is however exceedingly slow.

The charges brought against the company by the Competition Commission remain outstanding. Clover received a negative judgment from the Competition Appeal Court on certain procedural and technical aspects of the investigation by the Competition Commission. This judgment is currently on appeal to the Supreme Court of Appeal. The allegations against the company by the commission all relate to matters which preceded HCI acquiring its interest in the group.

Energy

Montauk Energy Corporation LLC ("Montauk") – 91,5% interest

Montauk extracts natural gas from landfills and converts this energy into medium or high BTU gas or electricity. The performance of Montauk for the period under review was once again below expectations and the business delivered a net loss of USD 7.5 million. This loss was exacerbated by the impairment of a put option acquired, at acquisition, from Lehman Brothers due to the specific Lehman commodity trading subsidiary filing for bankruptcy. The impairment amounted to R70,6m (US$8,6m).

The average price realised per MMBTU was USD 10.61, a 33% increase compared to the corresponding period. Profits were nevertheless affected by the decline in natural gas prices during the period, from a high of USD 13 to the current level of USD 6.40. While the total MMBTU volumes processed increased by 4% to 1.304 million MMBTU's during the period, the slower than expected commissioning of a new gas processing plant at Rumpke, coupled with the reduced gas flow from the Rumpke well field, resulted in lower sales than budgeted. The Valley and Monroeville operations were also prevented by a local utility to supply gas due to a dispute regarding the quality of gas supplied. The dispute has now been resolved and the operations are back on line with measurable guidelines to monitor any offending substance levels.

The management team of the business was strengthened by the reassignment of two senior managers from Formex Industries to the USA to provide HCI with more direct management control. This necessitated the cancellation of the Montauk management agreement with Blue Wolf Capital Management.

HCI Khusela Coal (Pty) Limited - 80% interest

Construction activities to commission the coal processing plants on Mbali and Palesa are ongoing. Unfortunately the replacement of the project management company responsible for the project has delayed the completion of the construction project. To date HCI has invested R220 million in the project.

Efforts are currently focused on the start of mining at Palesa where the possibility exists that unwashed coal will be mined and sold for approximately 10 months, prior to the commissioning of the wash plant.

The financial feasibility at Mbali was reassessed following the decision by the DME to exclude of a portion of HKC's prospecting rights from its mining rights. Should the DME not reconsider their decision HKC will file a review application in the immediate future to set aside the decision by the DME.

The feasibility study for the third project, Nokuhle, is nearing completion and it is anticipated that application will be made for a mining right in the near future.

The board of the company has been strengthened through the appointment of additional non-executive directors with construction and coal mining experience. The appointments significantly enhance the coal mining and construction expertise available to the company.

Exhibitions and properties

Gallagher Estate Holdings Limited – 100% interest

Gallagher's results reflect the combination of the traditional conference, exhibition and banqueting business, the Gallagher letting business and the remnants of the Johnnic property division. The conference and exhibition business had a disappointing period with turnover falling 9%. Operating expenses increases were contained to 1% despite the additional costs of standby generators which are required in order to provide a full service to its clients.

Overall EBITDA for all operations declined by R4.5 million to R23 million, with R3 million being attributable to the conferencing and exhibition business.

Following the favourable decision by the Competition Appeal Court we have proposed the unbundling of the exhibition business to the shareholders of HCI. We currently await the commission's response to the court ruling and our unbundling proposal.

Information technology

This sector comprises the group's investments in Syntell and Business Systems Group (Africa) ("BSG").

Syntell has performed in line with budget and its integrated service offering to the JMPD continues to set the benchmark to the industry. The automated number plate recognition system employed in its road blocks has proved to be successful and collection rates remain high despite the increased pressure on consumers. The call centre division was sold during the period which will enable management to focus more time on the development of its core traffic and road safety business. The payfine.co.za payment portal is now firmly established as the industry leader and continues to attract new visitors. Management are exploring a number of international enquiries for the company's products and services.

BSG's profits have declined, mainly due to increased salary costs of consultants and higher fixed costs to accommodate the future growth of the business. Management are focussed to restore the operating margin to previous levels.

Industrial

The group's industrial assets comprise Johnson Access and Formex Industries.

Formex Industries grew its turnover by 100% to R382 million but higher finance costs, mainly due to the acquisition costs of the ATM business, resulted in a PBT increase of 89% to R14.1 million.

The automotive industry worldwide is coming under increasing pressure and the steps management have taken to restore margins through cost containment are bearing fruit in the pressings and doorlock divisions. The tube business is operating below optimal capacity however sales efforts to increase turnover have resulted in a good forward order book. Problems were experienced in the pulley division which resulted in high airfreight charges. It is expected that new manufacturing capacity, additional management appointments and the automation of existing facilities will enable the pulley division to return to budgeted margins and profitability.

Johnson Access is performing in line with expectations. The current slowdown in the economy is expected to place further pressure on rates.

Clothing and Textiles

Seardel Investment Corporation Limited ("Seardel") -70% interest

During the period under review, the group advanced an interest bearing loan of R250 million to Seardel. The loan formed part of an agreement with Seardel to underwrite, up to a maximum of R250 million, a R306 million rights issue at 50 cents per Seardel ordinary share to all Seardel shareholders. Following the conclusion of the Seardel rights issue subsequent to the period under review, and pursuant to its underwriting commitment, the group converted its loan into approximately 497 million Seardel ordinary shares (70% interest) effective from 27th October 2008. The disclosure required by IFRS 3 relating to the fair value of the identifiable assets, liabilities and contingent liabilities have not been disclosed. The disclosure is considered to be impracticable due to the timing of this transaction.

Seardel is currently significantly loss making. The group views it as a major turn around acquisition with the hope that it will be restored to profitability after 12 months.

DISTRIBUTIONS TO SHAREHOLDERS

Your directors have decided not to declare any dividends at this interim stage.

In line with HCI's dividend policy, an annual dividend will be considered with the publishing of the year-end results.

For and on behalf of the board of directors

MJA Golding
Chairman

JA Copelyn
Chief Executive Officer

Cape Town
13 November 2008

Hosken Consolidated Investments Limited

www.hci.co.za