Hosken Consolidated Investments Limited

UNAUDITED GROUP INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER

2015

CORPORATE ADMINISTRATION

DIRECTORS

Executive Directors

John Anthony Copelyn
(Chief Executive Officer)

Theventheran Govindsamy Govender [Kevin]
(Financial Director)

Yunis Shaik

Independent Non-Executive Directors

Leslie Warren Maasdorp

Mimi Freddie Magugu

Dr Lynette Moretlo Molefi

Velaphi Elias Mphande (Chairman)

Jabulani Geffrey Ngcobo

Rachel Doreen Watson

WEBSITE ADDRESS

www.hci.co.za

COMPANY REGISTRATION NUMBER
1973/007111/06

SHARE CODE
HCI ISIN: ZAE000003257

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BANKERS
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SPONSOR
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INVESTMENTS

TSOGO SUN HOLDINGS LIMITED

SEARDEL INVESTMENT CORPORATION LIMITED

NIVEUS INVESTMENTS LIMITED

DENEB INVESTMENTS LIMITED

OCEANIA CAPITAL PARTNERS LIMITED

GOLDEN ARROW BUS SERVICES

HCI PROPERTIES (DIVISION)

HCI COAL

IMPACT OIL AND GAS

KAROSHOEK SOLAR ONE

ITHUBA HOLDINGS

SYNTELL

BUSINESS SYSTEMS GROUP (AFRICA)

FORMEX ENGINEERING

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 September 2015 R'000	Unaudited 30 September 2014* R'000	Unaudited 31 March 2015* R'000
ASSETS			
Non-current assets	**54 023 442**	51 437 266	52 711 217
Property, plant and equipment	**23 967 472**	22 634 193	23 147 181
Investment properties	**2 690 174**	2 147 318	2 530 138
Goodwill	**4 933 274**	4 817 866	4 926 092
Interest in associates and joint ventures	**1 087 485**	1 294 880	1 336 564
Other financial assets	**336 221**	67 120	49 231
Intangibles	**19 998 614**	19 901 984	19 989 106
Deferred taxation	**396 504**	287 347	440 056
Operating lease equalisation asset	**46 725**	29 921	46 476
Long-term receivables	**566 973**	256 637	246 373
Current assets	**9 474 141**	7 028 151	8 964 849
Other	**5 820 921**	5 319 587	5 171 507
Bank balances and deposits	**3 653 220**	1 708 564	3 793 342
Non-current assets held for sale	**566 072**	1 120 270	307 338
Total assets	**64 063 655**	59 585 687	61 983 404
EQUITY AND LIABILITIES			
Equity	**31 418 534**	30 670 757	30 503 423
Equity attributable to equity holders of the parent	**15 542 945**	15 190 536	14 950 989
Non-controlling interest	**15 875 589**	15 480 221	15 552 434
Non current liabilities	**21 927 294**	20 788 874	21 502 570
Deferred taxation	**7 818 406**	7 753 643	7 854 042
Long-term borrowings	**12 860 994**	11 843 786	12 356 611
Operating lease equalisation liability	**300 611**	287 419	280 753
Other	**947 283**	904 026	1 011 164
Current liabilities	**10 695 486**	7 996 834	9 952 444
Non-current liabilities held for sale	**22 341**	129 222	24 967
Total equity and liabilities	**64 063 655**	59 585 687	61 983 404
Net asset carrying value per share (cents)	**14 918**	14 397	14 370

**Restated*

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited 30 September 2015 R'000	Unaudited 30 September 2014* R'000
Revenue		**7 043 942**	4 916 168
Net gaming win		**4 117 201**	1 037 069
Income	87,5%	**11 161 143**	5 953 237
Expenses		**(8 479 708)**	(4 835 446)
EBITDA	139,9%	**2 681 435**	1 117 791
Depreciation and amortisation		**(703 162)**	(309 288)
Operating profit		**1 978 273**	808 503
Investment income		**85 400**	27 707
Finance costs		**(658 172)**	(213 172)
Share of profits of associates and joint ventures		**31 906**	254 641
Investment surplus		**529**	-
Fair value adjustment on deemed disposal of associate		**-**	2 757 227
Asset impairments		**(5 403)**	(5 911)
Fair value adjustments of financial instruments		**16 148**	6 561
Impairment of goodwill and investments		**(2 248)**	-
Profit before taxation	-60,2%	**1 446 433**	3 635 556
Taxation		**(444 592)**	(222 274)
Profit for the period from continuing operations		**1 001 841**	3 413 282
Discontinued operations		**(6 465)**	(68 297)
Profit for the period		**995 376**	3 344 985
Attributable to:			
Equity holders of the parent		**506 676**	3 118 303
Non-controlling interest		**488 700**	226 682
		995 376	3 344 985

**Restated*

RECONCILIATION OF HEADLINE EARNINGS

	% change	Unaudited 30 September 2015 R'000 Gross	Net	Unaudited 30 September 2014* R'000 Gross	Net
Earnings attributable to equity holders of the parent	-83,8%		506 676		3 118 303
IAS 16 gains on disposal of plant and equipment		(5 093)	(2 073)	(2 698)	(885)
IAS 16 impairment of plant and equipment		5 195	1 876	5 911	1 746
IAS 38 impairment of intangible assets		208	133	-	-
IFRS 3 fair value adjustment on deemed disposal of associate		-	-	(2 757 227)	(2 745 038)
IFRS 3 impairment of goodwill		2 248	1 443	-	-
IAS 28 gain on disposal of associates		(4 873)	(2 129)	-	-
IAS 28 impairment of associates and joint ventures		-	-	26 851	21 431
IAS 27 profit from disposal / part disposal of subsidiary		(529)	(274)	-	-
IAS 40 gains on disposal of investment property		(8 497)	(2 936)	-	-
Re- measurements included in equity-accounted earnings of associates and joint ventures		-	-	308	276
Headline profit	27,0%		502 716		395 833
Basic earnings per share (cents)					
Earnings	-83,5%		486.42		2 942.51
Continuing operations			489.91		2 994.67
Discontinued operations			(3.49)		(52.16)
Headline earnings	29,2%		482.61		373.52
Continuing operations			488.15		405.46
Discontinued operations			(5.54)		(31.94)
Weighted average number of shares in issue ('000)			104 165		105 974
Actual number of share in issue at end of period (net of treasury shares) ('000)			104 188		105 510
Diluted earnings per share (cents)					
Earnings	-83,4%		480.85		2 894.10
Continuing operations			484.30		2 945.40
Discontinued operations			(3.45)		(51.30)
Headline earnings	29,9%		477.09		367.37
Continuing operations			482.57		398.78
Discontinued operations			(5.48)		(31.41)
Weighted average number of shares in issue ('000)			105 371		107 747

*Restated

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Unaudited 30 September 2015 R'000	Unaudited 30 September 2014* R'000
Profit for the period	**995 376**	3 344 985
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences	**325 909**	139 380
Cash flow hedge reserve	**37 954**	(8 204)
Total comprehensive income	**1 359 239**	3 476 161
Attributable to:		
Equity holders of the parent	**727 428**	3 231 549
Non-controlling interest	**631 811**	244 612
	1 359 239	3 476 161

*Restated

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited 30 September 2015 R'000	Unaudited 30 September 2014* R'000
Balance at beginning of period*	**30 503 423**	14 930 161
Share capital and premium		
Shares issued	**-**	25 219
Treasury shares released	**29 592**	4 251
Shares repurchased	**(14 160)**	(118 811)
Current operations		
Total comprehensive income	**1 359 239**	3 476 161
Equity settled share-based payments	**4 786**	5 703
Non-controlling interest on acquisition of subsidiaries	**-**	11 948 521
Effects of changes in holding	**(7 729)**	569 613
Dividends	**(456 617)**	(170 061)
Balance at end of period	**31 418 534**	30 670 757

*Restated

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 30 September 2015 R'000	Unaudited 30 September 2014 R'000
Cashflows from operating activities	**1 020 926**	(449 442)
Cashflows from investing activities	**(2 003 208)**	(654 873)
Cashflows from financing activities	**444 011**	1 043 688
Decrease in cash and cash equivalents	**(538 271)**	(60 627)
Cash and cash equivalents		
At beginning of period	**709 231**	574 386
Foreign exchange differences	**16 124**	16 695
At end of period	**187 084**	530 454
Bank balances and deposits	**3 653 220**	1 708 564
Bank overdrafts	**(3 484 624)**	(1 291 223)
Cash in disposal groups held for sale	**18 488**	113 113
Cash and cash equivalents	**187 084**	530 454

SEGMENTAL ANALYSIS

	Unaudited six months ended 30 September 2015		Unaudited six months ended 30 September 2014*	
	Revenue R'000	**Net gaming win R'000**	Revenue R'000	Net gaming win R'000
Media and broadcasting	**1 189 379**	**-**	1 240 329	-
Non-casino gaming	**25 390**	**555 435**	27 928	482 811
Casino gaming and hotels	**2 288 786**	**3 561 766**	368 557	554 258
Information technology	**171 863**	**-**	160 673	-
Transport	**725 088**	**-**	691 106	-
Vehicle component manufacture	**154 207**	**-**	166 668	-
Beverages	**548 669**	**-**	520 560	-
Properties	**109 128**	**-**	69 684	-
Mining	**375 561**	**-**	438 128	-
Branded products and manufacturing	**1 303 875**	**-**	1 231 785	-
Other	**151 996**	**-**	750	-
Total	**7 043 942**	**4 117 201**	4 916 168	1 037 069

	EBITDA Unaudited six months ended 30 September 2015 R'000	EBITDA Unaudited six months ended 30 September 2014* R'000
Media and broadcasting	**172 781**	326 524
Non-casino gaming	**154 683**	135 111
Casino gaming and hotels	**1 985 355**	337 463
Information technology	**28 931**	32 440
Transport	**173 170**	138 354
Vehicle component manufacture	**11 716**	12 538
Beverages	**7 110**	35 874
Properties	**67 745**	45 181
Mining	**33 777**	77 881
Branded products and manufacturing	**75 801**	40 758
Other	**(29 634)**	(64 333)
Total	**2 681 435**	1 117 791

	Profit before tax Unaudited six months ended 30 September 2015 R'000	Profit before tax Unaudited six months ended 30 September 2014* R'000	Headline earnings Unaudited six months ended 30 September 2015 R'000	Headline earnings Unaudited six months ended 30 September 2014* R'000
Media and broadcasting	**106 794**	263 552	**33 265**	64 973
Non-casino gaming	**78 519**	78 430	**25 342**	31 649
Casino gaming and hotels	**1 103 063**	3 209 995	**375 541**	307 072
Information technology	**19 092**	22 286	**6 167**	7 784
Transport	**121 140**	99 025	**83 950**	68 052
Vehicle component manufacture	**3 304**	4 863	**3 468**	4 707
Beverages	**(9 142)**	21 439	**(1 416)**	4 618
Properties	**26 844**	26 272	**22 503**	18 500
Mining	**2 550**	(139)	**2 650**	(789)
Natural gas	**-**	-	**-**	(15 085)
Branded products and manufacturing	**25 803**	9 490	**8 071**	5 139
Other	**(31 534)**	(99 657)	**(56 825)**	(100 787)
Total	**1 446 433**	3 635 556	**502 716**	395 833

**Restated*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The results for the six months ended 30 September 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the disclosure requirements of IAS 34, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the requirements of the South African Companies Act, 2008, and the Listings Requirements of the JSE Limited. The accounting policies applied by the group in the preparation of these condensed consolidated interim financial statements are consistent with those applied by the group in its consolidated financial statements for the year ended 31 March 2015. As required by the JSE Limited Listings Requirements, the group reports headline earnings in accordance with Circular 2/2013: Headline Earnings as issued by the South African Institute of Chartered Accountants.

These financial statements were prepared under the supervision of the financial director, Mr TG Govender, B.Compt (Hons).

RESTATEMENT OF PRIOR PERIOD RESULTS

During August 2014 Tsogo Sun Holdings Ltd ("Tsogo Sun") repurchased 134 million of its issued ordinary shares from SABSA Holdings Proprietary Limited, a subsidiary of SABMiller plc. It was determined that, in terms of IFRS, the Group acquired effective control over the business of Tsogo Sun after the sale of shares by SABMiller and that it would be appropriate to consolidate the results of Tsogo Sun with effect from the repurchase date, whereas it had been equity accounted prior to that.

The "acquisition" qualified as a business combination in terms of IFRS 3: Business Combinations. The results as at 30 September 2014 and 31 March 2015 were determined based on all information available at the acquisition date ("provisional accounting"). The provisional accounting was adjusted in the six month period ended 30 September 2015 for new information obtained within a timeframe of 12 months after the acquisition date. These adjustments to the fair values determined in the provisional purchase price allocation were treated as adjustments to the comparative results as at 30 September 2014 and 31 March 2015.

The comparative results were restated as follows:

Income statement for the period ended 30 September 2014:
Depreciation and amortisation increased by R9 million
Taxation decreased by R2 million
Earnings attributable to non-controlling interest decreased by R3 million

Statement of financial position as at 30 September 2014:
Property, plant and equipment increased by R5 703 million
Investment properties increased by R24 million
Goodwill decreased by R7 122 million
Intangible assets increased by R14 744 million
Deferred tax liability increased by R5 644 million
Equity attributable to equity holders of the parent decreased by R3 million
Equity attributable to non-controlling interest increased by R7 707 million

Statement of financial position as at 31 March 2015:
Property, plant and equipment increased by R5 666 million
Investment properties increased by R24 million
Goodwill decreased by R7 122 million
Intangible assets increased by R14 728 million
Deferred tax liability increased by R5 630 million
Equity attributable to equity holders of the parent decreased by R21 million
Equity attributable to non-controlling interest increased by R7 687 million

Opening equity attributable to equity holders of the parent in the current period decreased by R21 million

DISCONTINUED OPERATIONS AND DISPOSAL GROUPS HELD FOR SALE

The group's previous natural gas interests were unbundled in December 2014 and its results are contained in discontinued operations in the income statement and its assets and liabilities contained in disposal groups held for sale in the statement of financial position in the prior comparative period.

Deneb Investments discontinued the operations of its discount retail operations in the prior financial year and the results of these operations, as contained in the branded products and manufacturing segment, have been reclassified to discontinued operations in the prior period and its assets are contained in disposal groups held for sale in the statement of financial position in the current period.

The Board of Sabido Investments resolved to exit certain of its offshore operations during the prior financial year. The results of these operations are included in the media and broadcasting segment and have been reclassified to discontinued operations in the prior period and its assets and liabilities are contained in disposal groups held for sale in the statement of financial position.

The group's Australian subsidiary, Oceania Capital Partners, has entered into an agreement to sell its interest in a joint venture, Baycorp Holdings. This investment has been reclassified to disposal groups held for sale in the current period.

Disposal groups held for sale as disclosed in the statement of financial position comprise the following:

	Branded products and manufacturing (R'm)	Media and broadcasting (R'm)	Other (R'm)
Disposal group assets held for sale	4	235	328
Disposal group liabilities held for sale	-	22	-

RESULTS

Group income statement

The group income statement contains five months of equity accounted earnings from Tsogo Sun and one month consolidated earnings in the prior period due to the "acquisition" of this entity being effective end of August 2014.

Revenue, including net gaming win, increased by 87,5%. Excluding Tsogo Sun, revenue increased by 5,6%. Revenue in respect of media and broadcasting includes revenue of R1 146 million from Sabido Investments and R43 million contributed by Sunshine Coast Broadcasters in Australia. Sabido Investments recorded a decrease in revenue of 7% as a result of a decrease in advertising revenue. New scheduling and programming since March 2015 have lead to the regaining of previously lost market share, but increased advertising revenue is yet to occur. Subscription and pay television revenue increased marginally. Net gaming win from non-casino gaming increased by 15% with the number of active machines in Vukani increasing by 3,4% and average GGR per machine by 3,2%. Revenue in respect of casino gaming and hotels was recognised for one month only in the prior period as compared to the whole current period. Transport managed to increase revenue by 5% despite reduced passenger numbers experienced in the last two months of the period. Properties' revenue increased by 57% due to additional revenue from completed property developments. Revenue in respect of mining decreased by 14% as a result of a 28% reduction in sales volumes at the Palesa colliery. This was a result of difficulties with coal qualities mined and inconsistent results received from Eskom laboratories in the period. The Mbali colliery sales volumes increased by 32%, but these gains were offset by a 6% decrease in average net selling price per ton as compared to the prior period. Branded products and manufacturing increased revenue by 6% as a result of a low base in the prior period for textiles and chemicals. Other includes R151 million in revenue from Crimsafe Security Systems in Australia, which was acquired effective 31 March 2015.

EBITDA for the group increased by 139,9%. Excluding Tsogo Sun, EBITDA would have decreased by 10,8%. EBITDA from media and broadcasting decreased by 47% due to losses in the etv multi channel and Platco businesses. These were compounded by a reduction of profits from the etv traditional business following reduced advertising revenue and increased investment in new programming. EBITDA from non-casino gaming increased with gains in Vukani assisted by similar gains in Galaxy Bingo. Casino gaming and hotels is not comparable due to its inclusion for only one month in the prior period. Transport managed to increase EBITDA by 25%, as a result of lower fuel prices aided by reduced overhead spend. Beverages' EBITDA decreased by 80% following an increase in forex losses. EBITDA for properties increased by 50% to R68 million due to reasons mentioned above. Mining EBITDA decreased by 57% to R34 million, mainly as a result of the cost of reworking failed stockpiles and additional mining costs associated with the coal quality issues encountered in the pit at Palesa colliery. The Mbali colliery EBITDA was 40% lower due to reduced export prices. Branded products and manufacturing EBITDA from continuing operations increased by 86%. Increased revenue in the textile division and higher margin Seartec aided the increase in EBITDA. EBITDA losses from other reduced significantly following a decrease in losses in HCI Australia's non-media businesses.

Profit before tax decreased by 60,2%. Profit before tax for media and broadcasting reduced by 60%, significantly for the same reasons as mentioned above. Sunshine Coast Broadcasters contributed profits that reduced by 21%. Non-casino gaming's profit before tax was stagnant as a result of a 30% increase in depreciation following the roll out of sites in Galaxy Bingo and a 68% increase in finance costs following increased utilisation of facilities. The contribution by casino gaming and hotels decreased by 66% to R1 101 million. A fair value adjustment to the investment in associate of R2 757 million was recognised prior to the consolidation of Tsogo Sun in the prior period. Due also to the equity accounting of Tsogo Sun for 5 months in the prior period, the profit before tax is not comparable to the current period. Information technology's profit before tax ended 14% below the prior period. This was the result of increased bad debts which were marginally offset by reduced overhead spend. Beverages' profit in the prior period turned into a loss of R9 million, significantly following the increased forex losses and lost sales volumes on brandy following reduced price discounts. Properties' increase in EBITDA was all but eliminated by increased finance costs following the completion of The Point development. Profits relating to mining increased slightly, with capitalised box cut expenditure in the amount of R43 million being depreciated for the Mbali colliery in the prior period and not recurring in the current period. This resulted in the EBITDA reduction being significantly offset. Other profit before tax was significantly impacted by R47 million in investment income earned on the Ithuba funding arrangements for the first time in the current period and increased profitability in the group's Australian non-media operations. Head office finance costs increased by R26 million following the issue of preference share borrowings in March and July 2015.

Discontinued operations' losses decreased by R61 million. The results of Sabido Investments' offshore operations have been reclassified to discontinued operations in the income statement in the prior comparative period. These include a R5 million profit on disposal of associate in the current period and an impairment of R27 million in the prior comparative period, both of which relate to The Africa Channel. Losses in respect of the group's natural gas business, that was unbundled by the group in December 2014, were included in the prior comparative period's discontinued operations.

Headline earnings increased by 27%. Non-casino gaming recorded a decrease of R6 million, with an increase in taxation reducing profitability. Casino gaming and hotels recorded an increase of 22% in headline earnings. Included in Tsogo Sun's headline earnings in the prior period was a R118 million share based payment expense, which did not recur and which impacted its contribution to the group's earnings by R49 million. Further factors contributing to increased earnings of casino gaming and hotels are the closure for renovation of certain hotels and the Silverstar casino in the prior period. It is important to note that the final purchase price allocation in respect of the Tsogo Sun acquisition has given rise to additional depreciation and amortisation, reducing contributed headline earnings by R18 million in the current period, as opposed to only R3 million in the prior comparative period. Excluding this adjustment, headline earnings for the group would have shown an increase of 31%. Other headline losses reduced following increased profitability of the group's Australian non-media operations, investment income earned on the Ithuba funding arrangements and reduced head office overhead spend.

Notable items on the income statement include: Finance costs increased by R445 million with a R375 million increase because of Tsogo Sun's inclusion for the whole period and further increases at head office, in branded products and manufacturing and properties. Profit from associates and joint ventures is not comparable to the prior comparative period due to Tsogo Sun being consolidated from September 2014. Asset impairments consist of impairments of property, plant and equipment by various subsidiaries. Fair value adjustments on financial instruments consist significantly of unrealised gains on forward exchange contracts. Taxation increased as a result of the consolidated results of Tsogo Sun being included for the whole current period.

Non-controlling interests' share of earnings increased by R330 million because of the consolidation of results of Tsogo Sun for the whole current period. This was offset by reduced profitability in Sabido Investments.

Group statement of financial position and cash flow

As set out above, the statement of financial position changed significantly with the final purchase price allocation in respect of the Tsogo Sun acquisition. The restatement of property, plant and equipment relates to land and buildings. The restatement of intangible assets relates to gaming licenses and brands in the amounts of R18 664 million and R369 million, respectively.

Group long-term borrowings at 30 September 2015 comprise central borrowings of R1 992 million, central investment property related borrowings of R1 071 million, borrowings in Tsogo Sun of R8 591 million and R1 207 million in other operating subsidiaries. Included in current liabilities is R1 174 million owing to SACTWU, being part of their proportionate non-controlling share in Seardel and Deneb Investments, and R1 483 million in short term borrowings in Tsogo Sun. Bank overdraft facilities of R3 485 million, of which R2 450 million in Tsogo Sun, are also included in current liabilities.

The statement of cash flows includes Tsogo Sun for the whole current period as opposed to one month in the prior comparative period. The group invested R1 235 million in property, plant and equipment and R265 million in investment properties. A dividend of R231 million was received from Tsogo Sun in the prior comparative period.

Due to Tsogo Sun being consolidated in the current period, the dividend received was not recognised in cash flows from investing activities in the current period. Net borrowings of R450 million was raised during the period.

Shareholders are referred to the individually published results of Seardel Investment Corporation Limited, Tsogo Sun Holdings Limited, Niveus Investments Limited and Deneb Investments Limited for further commentary on the media and broadcasting; casino gaming and hotels; non-casino gaming; beverages; and branded products and manufacturing operations.

COMMENTARY

Results

Our results reflect an increase in headline earnings of 27% over the previous period. The current difficult macro environment in which our businesses are operating makes this a very satisfying result. The main assets of the group are now separately listed and are simultaneously issuing their results and commentaries. In the circumstances it is preferable not to comment on their performances here. Instead we concentrate more on the private assets within the group other than by way of exception.

Strong performances

We start with a comment on the notably strong performances in our transport and property divisions.

Golden Arrow Bus Services
Nick Cronje retired as the CEO of the company after a career of 34 years, most of which was at its helm. We have appointed Francois Meyer as his successor and have every confidence the company will continue to be managed in the same efficient manner. I take this opportunity to thank Nick for his leadership and his dedication and wish him well in retirement. The business has produced excellent interim results, significantly better than their previous best performance last year.

Properties
The group has continued to develop its properties at an exceptional rate. Amongst other consequences is that the earnings generated from property in the group have increased significantly. We anticipate this will continue given the developments planned in the immediate future.

In the six months since last commenting, Tsogo Sun has completed its redevelopment of Gold Reef Casino, Deneb Investments has completed the renovation of Reeds House and HCI Properties completed the conversion of Rand Daily Mail House. The first building at Monte Circle has been completed, as has the new office building of eMedia in Cape Town and the construction of two new studios at Sasani, replacing the one that burnt down previously.

Projects currently under construction include the Lynnridge Mall and Olympus Village shopping malls in Pretoria, a factory conversion at Sydney Road, Durban, and a second office block at Monte Circle. Several further projects will move from planning to construction phase over the next reporting period or two, including a shopping mall in Hermanus, a major redevelopment of the Suncoast Casino complex, three mixed commercial and residential complexes in Sea Point and Shell House in Johannesburg. Installation of services to the Steenberg residential property development will commence, as well as building at Heartlands in Modderfontein.

Oceania Capital Partners (OCP)
This company is listed in Australia and we comment by way of exception on the fact that it has managed to achieve a substantial transformation of its business over the last period. Essentially it has done two things. The first was to acquire control over a company, Crimsafe Security Systems, which is an industry leader in the manufacture of security screens, doors and windows. The second was to dispose of about half its stake in Baycorp Holdings to a major industry player expanding into Australia. Baycorp Holdings was a turnaround business until fairly recently that has, after much corrective effort, emerged as a far more efficient collector of debt than it had previously been.

OCP has accordingly now reached the stage where its assets going forward are essentially those chosen by its current management, rather than the legacy assets they inherited when we took over the company. Needless to say we are far more comfortable with our own chosen risks than inherited ones.

Regulatory inhibitions

In general, HCI has found most of its opportunities in businesses with significant political risk. These opportunities involve businesses dependent on licences, subsidies or government controlled contracts. As such, bemoaning the regulatory inhibitions on our businesses is really a statement of how much more could be achieved if political risk could be more successfully managed, rather than a simple statement of criticism. There are so many areas where improvements are needed and the group continues to press each of these points.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The first area is the endless difficulties with gaming licenses, where regulators have imposed unacceptable inhibitions on the progress of rolling out businesses which they have licensed. Worryingly there is a growing illegal gambling sector rapidly reestablishing itself with virtually no enforcement of any of the laws prohibiting this. As a result, it is largely left to the legal gambling industry to try to resist such unlawful competition, which is disappointing to say the least. It is nevertheless a challenge which HCI is driven to confront.

Standards in relation to the roll out of access to free digital television likewise have been an area of significant conflict and our media subsidiary has been obliged to litigate with the state to oppose a very sudden and unacceptable change of direction of state policy. We have been granted leave to appeal in this matter and hope that the matter will be satisfactorily dealt with towards the end of our financial year.

Rules adversely affecting tourism and relating to unduly cumbersome requirements for travel visas for children traveling to South Africa have likewise had a significant negative effect on our hotel business and the group continues to press for a more travel friendly environment.

Likewise, separating issues affecting prospecting for offshore oil and gas from those affecting the regulation of mining has taken an unduly long time to resolve. Though there don't necessarily seem to be any disagreements between industry and the state, just getting the legislation to reflect the common purpose established, and releasing the industry to move forward, has proven impossible to date. In our view this industry could transform several key aspects of the country's economy and the fact it is held up by red tape is seriously undesirable.

New investments

Ilanga One

The construction phase of this project commenced on 1st October and is due to be completed late in 2018. So far everything is proceeding according to plan.

Solar project with Abengoa

We participated in a bid submitted by Abengoa for a 150 megawatt concentrated solar project. Prices for electricity have fallen significantly from the previous round and our bid was, as a result, fairly near the cap imposed on bidders in the round. This was the minimum price providing us with returns that were appealing. We are unclear whether the bid will succeed but it is unlikely we will in future chase the process at prices any lower than we currently bid. We await adjudication of the round in due course.

Impact Oil and Gas

The business has prospecting rights on nine deep sea reserves. It has managed to farm out three reserves in South Africa to Exxon subject to certain regulatory conditions and is in the process of negotiating the farming out of a fourth reserve to another party. It would appear from current seismic work that the reserves have potential for oil or gas.

Ithuba Holdings

Ithuba Holdings succeeded in the litigation brought against it by Gidani in that it retained the right to operate the National Lottery for an eight year term. Gidani applied for leave to appeal but was refused. It petitioned the appeal court and was refused again. It has now brought a new case, all with the same objective of voicing its displeasure at the award in Ithuba's favour. The current litigation is deemed to be not urgent and will in all likelihood take years to be finally disposed of. In the circumstances your directors continue to hold the view that this litigation will ultimately have little effect on the business going forward.

The newly managed National Lottery has been set up, albeit with some delays caused by the litigation. The business continues to improve and is currently up to date with payments of its interest obligations to HCI under its loan agreements. It is our hope that the business will eventually succeed in recovering the ground it lost at the outset and that it will perform sufficiently well to safeguard our investment in it.

CHANGES IN DIRECTORATE

Mr VE Mphande was appointed as independent non-executive chairman with effect from 27 August 2015.

DIVIDEND TO SHAREHOLDERS

The directors of HCI have resolved to declare an interim ordinary dividend number 52 of 40 cents (gross) per

HCI share for the six months ended 30 September 2015 from income reserves. The salient dates for the payment of the dividend are as follows:

Last day to trade cum dividend	Friday, 4 December 2015
Commence trading ex dividend	Monday, 7 December 2015
Record date	Friday, 11 December 2015
Payment date	Monday, 14 December 2015

No share certificates may be dematerialised or rematerialised between Monday, 7 December 2015 and Friday, 11 December 2015, both dates inclusive.

In terms of legislation applicable to Dividends Tax ("DT") the following additional information is disclosed:

- The local DT rate is 15%.
- The number of ordinary shares in issue at the date of this declaration is 105 198 669.
- The DT amounts to 6.00 cents per share.
- The net local dividend amount is 34.00 cents per share for all shareholders who are not exempt from the DT.
- Hosken Consolidated Investments Limited's income tax reference number is 9050/177/71/7.

In terms of the DT legislation, any DT amount due will be withheld and paid over to the South African Revenue Service by a nominee company, stockbroker or Central Securities Depository Participant (collectively "regulated intermediary") on behalf of shareholders. All shareholders should declare their status to their regulated intermediary as they may qualify for a reduced DT rate or exemption.

For and on behalf of the board of directors

JA Copelyn
Chief Executive Officer

TG Govender
Financial Director

Cape Town
19 November 2015

www.hci.co.za

HCI

Hosken Consolidated Investments Limited

UNAUDITED GROUP INTERIM RESULTS

2015

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