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 CONDENSED CONSOLIDATED INTERIM RESULTS
for the six months ended 30 September 2016

Income +10.6%
EBITDA +5.8%
Headline earnings +14.3%
Headline earnings per share +18.5%

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 September 2016 R'000	Unaudited 30 September 2015 R'000	Audited 31 March 2016 R'000
ASSETS			
Non-current assets	59 864 455	54 023 442	55 610 831
Property, plant and equipment	24 019 665	23 967 472	24 371 720
Investment properties	8 054 717	2 690 174	3 021 423
Goodwill	4 795 402	4 933 274	4 999 944
Interest in associates and joint ventures	1 341 019	1 087 485	1 453 268
Other financial assets	1 284 787	336 221	666 581
Intangibles	19 627 928	19 998 614	19 978 722
Deferred taxation	492 233	396 504	449 789
Operating lease equalisation asset	54 759	46 725	88 275
Long-term receivables	193 945	566 973	581 109
Current assets	8 089 815	9 474 141	8 850 081
Inventories	1 092 446	2 038 748	2 010 102
Programme rights	691 906	612 032	490 973
Other financial assets	45 757	73 504	87 056
Trade and other receivables	3 039 254	2 965 153	2 570 221
Taxation	153 232	131 484	152 071
Bank balances and deposits	3 067 220	3 653 220	3 539 658
Disposal group assets held for sale	1 820 177	566 072	147 298
Total assets	69 774 447	64 063 655	64 608 210
EQUITY AND LIABILITIES			
Equity	34 381 060	31 418 534	32 927 180
Equity attributable to equity holders of the parent	15 007 827	15 542 945	16 539 747
Non-controlling interest	19 373 233	15 875 589	16 387 433
Non current liabilities	21 966 011	21 927 294	21 482 544
Deferred taxation	8 133 852	7 818 406	8 135 293
Long-term borrowings	12 563 088	12 860 994	12 098 381
Operating lease equalisation liability	271 351	300 611	280 497
Other	997 720	947 283	968 373
Current liabilities	13 214 892	10 695 486	10 181 883
Trade and other payables	4 322 448	3 193 028	2 966 211
Current portion of borrowings	5 977 486	3 261 854	3 247 985
Taxation	118 757	111 258	155 846
Bank overdrafts	2 164 938	3 484 624	3 058 696
Other	631 263	644 722	753 145
Disposal group liabilities held for sale	212 484	22 341	16 603
Total equity and liabilities	69 774 447	64 063 655	64 608 210
Net asset carrying value per share (cents)	17 055	14 918	15 887

CONDENSED CONSOLIDATED INCOME STATEMENT

	% change	Unaudited 30 September 2016 R'000	Unaudited* 30 September 2015 R'000
Revenue		7 000 076	6 120 938
Net gaming win		4 324 914	4 117 201
Income	10.6%	11 324 990	10 238 139
Expenses		(8 508 555)	(7 574 866)
EBITDA	5.8%	2 816 435	2 663 273
Depreciation and amortisation		(712 829)	(675 250)
Operating profit		2 103 606	1 988 023
Investment income		120 199	81 667
Finance costs		(782 572)	(652 100)
Share of profits of associates and joint ventures		22 234	14 791
Gain on bargain purchase		12 764	-
Investment surplus		46 131	529
Asset impairments		(4 997)	(5 403)
Fair value adjustments of financial instruments		-	(22 552)
Impairment of goodwill and investments		-	(2 248)
Profit before taxation	8.2%	1 517 365	1 402 707
Taxation		(396 419)	(437 250)
Profit for the period from continuing operations		1 120 946	965 457
Discontinued operations		(203 929)	29 919
Profit for the period		917 017	995 376
Attributable to:			
Equity holders of the parent		376 611	506 676
Non-controlling interest		540 406	488 700
		917 017	995 376

* Restated

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Unaudited 30 September 2016 R'000	Unaudited 30 September 2015 R'000
Profit for the period	917 017	995 376
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences	(412 532)	325 909
Cash flow hedge reserve	(73 683)	37 954
Available-for-sale financial asset revaluations	(19 006)	-

Total comprehensive income	411 796	1 359 239
Attributable to:		
Equity holders of the parent	1 975	727 428
Non-controlling interest	409 821	631 811
	411 796	1 359 239

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited 30 September 2016 R'000	Unaudited 30 September 2015 R'000
Balance at the beginning of the period	32 927 180	30 503 423
Share capital and premium		
Treasury shares released	13 545	29 592
Shares repurchased	(1 722 859)	(14 160)
Current operations		
Total comprehensive income	411 796	1 359 239
Equity-settled share-based payments	5 106	4 786
Non-controlling interest on acquisition of subsidiaries	1 954 607	-
Disposal of subsidiary	(327 275)	-
Effects of changes in holding	1 655 996	(7 729)
Dividends	(537 036)	(456 617)
Balance at the end of the period	34 381 060	31 418 534

RECONCILIATION OF HEADLINE EARNINGS

		Unaudited 30 September 2016		Unaudited 30 September 2015	
	% change	Gross R'000	Net R'000	Gross R'000	Net R'000
Earnings attributable to equity holders of the parent	(25.7%)		376 611		506 676
Gain on bargain purchase		(12 764)	(5 535)	-	-
Impairment of goodwill		-	-	2 248	1 443
Remeasurement to fair value less cost to sell		191 134	37 533	-	-
Losses/(gains) on disposal of plant and equipment		171	239	(5 093)	(2 073)
Impairment of plant and equipment		1 775	597	5 195	1 876
Foreign currency translation reserve recycled		(253 844)	(216 314)	-	-
Losses/(profit) from disposal/part disposal of subsidiary		419 370	401 702	(529)	(274)
Gain on disposal of associates and joint ventures		-	-	(4 873)	(2 129)
Impairment of associates and joint ventures		85	18	-	-
Impairment of intangible assets		-	-	208	133
Recycling of fair value reserves relating to available-for-sale financial instruments		(46 250)	(20 056)		
Gains on disposal of investment property		119	30	(8 497)	(2 936)
Headline profit	14.3%		574 825		502 716
Basic earnings per share (cents)					
Earnings	(23.0%)		374.64		486.42
Continuing operations			564.75		467.40
Discontinued operations			(190.11)		19.02
Headline earnings	18.5%		571.82		482.61
Continuing operations			540.07		465.17
Discontinued operations			31.75		17.44
Weighted average number of shares in issue ('000)			100 526		104 165
Actual number of share in issue at the end of the period (net of treasury shares) ('000)			87 997		104 188
Diluted earnings per share (cents)					
Earnings	(23.0%)		370.45		480.85
Continuing operations			558.44		462.05
Discontinued operations			(187.99)		18.80
Headline earnings	18.5%		565.43		477.09
Continuing operations			534.04		459.85
Discontinued operations			31.39		17.24
Weighted average number of shares in issue ('000)			101 662		105 371

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 30 September 2016 R'000	Unaudited 30 September 2015 R'000
Cash flows from operating activities	863 086	1 020 926
Cash generated by operations	2 708 241	2 522 286
Net finance costs	(677 200)	(539 927)
Taxation paid	(511 879)	(504 816)
Dividends paid	(656 076)	(456 617)
Cash flows from investing activities	(1 051 070)	(2 003 208)
Business combinations and disposals	347 083	-
Investments acquired	(514 686)	(264 910)
Dividends received	66 602	13 858
Decrease/(increase) in loans and receivables	366 332	(272 517)
Intangible assets acquired	(16 093)	(28 200)
Investment properties		
- Additions	(234 451)	(265 063)
- Disposals	-	31 178
Property plant and equipment		
- Additions	(1 119 068)	(1 234 690)
- Disposals	53 211	17 136
Cash flows from financing activities	652 098	444 011
Ordinary shares issued and treasury shares released	7 838	3 223
Ordinary shares repurchased	(1 718 936)	(14 159)
Transactions with non-controlling shareholders	688 055	4 876
Net funding raised	1 675 141	450 071
Increase/(decrease) in cash and cash equivalents	464 114	(538 271)
Cash and cash equivalents		
At the beginning of the period	520 432	709 231
Foreign exchange differences	(23 595)	16 124

At the end of the period	960 951	187 084
Bank balances and deposits	3 067 220	3 653 220
Bank overdrafts	(2 164 938)	(3 484 624)
Cash in disposal groups held for sale	58 669	18 488
Cash and cash equivalents	960 951	187 084

SEGMENTAL ANALYSIS

	Unaudited six months ended 30 September 2016		Unaudited six months ended 30 September 2015*	
	Revenue R'000	Net gaming win R'000	Revenue R'000	Net gaming win R'000
Media and broadcasting	1 266 149	-	1 137 719	-
Non-casino gaming	46 036	646 009	25 390	555 435
Casino gaming and hotels	2 615 271	3 678 905	2 288 786	3 561 766
Transport	817 064	-	725 088	-
Vehicle component manufacture	176 552	-	154 207	-
Properties	216 921	-	109 128	-
Mining	512 835	-	375 561	-
Branded products and manufacturing	1 348 233	-	1 303 875	-
Other	1 015	-	1 184	-
Total	7 000 076	4 324 914	6 120 938	4 117 201

	EBITDA Unaudited six months ended 30 September	
	2016 R'000	2015* R'000
Media and broadcasting	285 692	196 600
Non-casino gaming	210 366	154 683
Casino gaming and hotels	1 910 189	1 985 355
Transport	213 230	173 170
Vehicle component manufacture	11 439	11 716
Properties	90 944	67 745
Mining	97 129	33 777
Branded products and manufacturing	59 877	75 801
Other	(62 431)	(35 574)
Total	2 816 435	2 663 273

	Profit before tax Unaudited six months ended 30 September	
	2016 R'000	2015* R'000
Media and broadcasting	199 008	100 424
Non-casino gaming	132 984	78 519
Casino gaming and hotels	1 067 539	1 103 063
Transport	158 879	121 140
Vehicle component manufacture	649	3 304
Properties	32 760	26 844
Mining	47 961	2 550
Branded products and manufacturing	7 971	25 803
Other	(130 386)	(58 940)
Total	1 517 365	1 402 707

	Headline earnings Unaudited six months ended 30 September	
	2016 R'000	2015 R'000
Media and broadcasting	65 631	33 265
Non-casino gaming	48 610	25 342
Casino gaming and hotels	373 563	375 541
Information technology	4 920	6 167
Transport	110 498	83 950
Vehicle component manufacture	606	3 468
Beverages	16 491	(1 416)
Properties	25 185	22 503
Mining	35 687	2 650
Branded products and manufacturing	1 267	8 071
Other	(107 633)	(56 825)
Total	574 825	502 716

* Restated

NOTES

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The results for the six months ended 30 September 2016 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 2016. As required by the JSE Limited Listings Requirements, the group reports headline earnings in accordance with Circular 2/2015: 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) and have neither been audited nor independently reviewed by the group's auditors.

CHANGE IN ACCOUNTING ESTIMATE

Non-casino gaming

The review of the useful life of gaming machines by the group's non-casino gaming operations resulted in an increase in the useful life used for depreciation purposes due to the use of gaming machines for longer than originally expected. The group revised the useful life of gaming machines from six years to seven years effective 1 April 2016. The effect of the change in the useful life of gaming machines on the depreciation expense for the current period is a decrease of R5 million and an expected decrease for future periods of R10 million per annum. Galaxy Bingo's site development costs were previously depreciated over the term of the initial lease, but the estimated depreciation period has been amended to include guaranteed renewal options, limited to a 10-year total depreciation term. The effect of the change in the depreciation term for site development costs on the depreciation expense for the current period is a decrease of R4 million and an expected annual decrease for future periods of R7 million.

DISCONTINUED OPERATIONS AND DISPOSAL GROUPS HELD FOR SALE

Beverages

The group entered into agreements on 10 May 2016 to dispose of its interest in the business operations of KWV Holdings, included in the beverages segment. The results of these operations are accordingly included in discontinued operations in the current and prior periods and its assets of R1 704 million and liabilities of R212 million in disposal groups held for sale in the statement of financial position in the current period.

Media and broadcasting

The board of eMedia Investments resolved to exit certain of its offshore and local non-core operations during the financial year ending 31 March 2015. Further local non-core operations have been reclassified to discontinued operations in the current year and the prior period results restated for these. The results of these operations are included in the media and broadcasting segment, are included in discontinued operations in the current and prior period and its assets of R12 million (31 March 2016: R145 million) and liabilities of R1 million (31 March 2016: R17 million) in disposal groups held for sale in the statement of financial position in the current and prior years.

Media and broadcasting and other

During the current period the group disposed of its Australian subsidiary, HCI Investments Australia. The results of these operations are included in the media and broadcasting and other segments and have been reclassified to discontinued operations in the current and prior periods in the income statement.

Information technology

During the current period the group disposed of its information technology operations (Syntell). The results of these operations have been reclassified to discontinued operations in the current and prior periods in the income statement.

Casino gaming and hotels

The assets acquired by Tsogo Sun Holdings upon the acquisition of Hospitality Property Fund included properties held for sale and are consequently included in disposal group assets held for sale. The carrying value of these properties totalled R88 million at 30 September 2016.

Branded products and manufacturing

Property, plant and equipment to the value of R16 million is held as disposal group assets held for sale by Deneb Investments.

The results of discontinued operations were as follows:

	eMedia offshore operations Rm	HCI Investments Australia Rm	Syntell Rm	KWV Holdings Rm
(Loss)/profit after tax	(6)	28	11	(71)
Loss on disposal	(59)	(345)	(15)	-
Foreign currency translation reserves reclassified to profit and loss	104	149	-	-

DISPOSALS

The group disposed of the following subsidiaries during the current period:

- HCI Investments Australia (including Oceania Capital Partners), effective 16 August 2016, for proceeds of R325 million.
- Mars Holdings (including Syntell), effective 15 September 2016, for proceeds of R92 million. The timing and amount in respect of contingent proceeds of a maximum of R19.2 million has not been determined as at the reporting date.
- Power Entertainment, effective 1 July 2016, for proceeds of US$0.6 million.

The following were the assets and liabilities disposed of:

	Rm
Non-current assets	812
Current assets	657
Non-current liabilities	(133)
Current liabilities	(168)
Net assets disposed of	1 168
Non-controlling interest	(317)
Loss on disposal	(419)
Disposal proceeds	431
Cash balances disposed of	(226)
Net cash received	205

BUSINESS COMBINATIONS

Casino gaming and hotels

Tsogo Sun Holdings acquired control of Hospitality Property Fund ("HPF") effective 1 September 2016. The group initially acquired 55% of the HPF B-linked units (27% of the voting interest) in August 2015. It subsequently acquired a controlling stake through the injection of hotel assets for shares such that the issue of shares to the group resulted in the group owning 50.6% of the shares following the reconstitution of HPF's capital into a single class of shares.

The acquired business contributed incremental revenues of R32 million and profit after tax of R31 million to the group for the period from date of control to 30 September 2016. Had the acquisition occurred on 1 April 2016 group income would have increased by an additional R128 million and profit after tax (including exceptional items recognised during the HPF capital restructure) would have increased by R297 million. The assets and liabilities acquired, for which the final fair values have been determined, are as follows:

	Rm
Investment properties	4 781
Other non-current assets	6
Other current assets	385
Borrowings	(1 725)
Other current liabilities	(223)
Net assets acquired	3 224
Purchase consideration paid in assets	(2 913)
Existing interest at fair value	(298)
Gain on bargain purchase	13

Non-controlling interests are recognised at their proportionate share of the entity's net assets at fair value.

Media and broadcasting

The group acquired 100% of the shares in Waterfront Film Studios effective 1 July 2016. The purchase consideration was R7.5 million, settled in cash. The purchase price allocation is provisional and goodwill of R2 million was recognised upon acquisition. The acquired business contributed incremental revenues of R3 million and losses after tax of R2 million to the group for the period from date of control to 30 September 2016.

Had the acquisition occurred on 1 April 2016 group income would have increased by an additional R10 million and profit after tax would have decreased by R1 million.

Branded products and manufacturing
Effective 31 May 2016 the group acquired 100% of the shares in Premier Rainwater Goods for a cash consideration of R77 million. Goodwill of R28 million arose on acquisition, for which the purchase price allocation is provisional. The acquired business contributed incremental revenues of R34 million and profit after tax of R3 million to the group for the period from date of control to 30 September 2016. Had the acquisition occurred on 1 April 2016 group income would have increased by an additional R25 million and profit after tax would have increased by R4 million.

RESULTS

GROUP INCOME STATEMENT AND SEGMENTAL ANALYSIS
Media and broadcasting
Revenue in respect of media and broadcasting includes only revenue from eMedia Holdings as revenue from the Australian media operations is included in discontinued operations. eMedia recorded an increase in revenue of 11% against the backdrop of an 11% increase in advertising revenue. New scheduling and programming since March 2015 have led to the regaining of lost market share in the second half of the previous financial year, with increased advertising revenue following in the current period. Property and facility revenue increased as well, with subscription and content revenue stable. EBITDA increased by 45% and is all attributable to eMedia. The increase is mainly attributable to the increase in advertising revenue and foreign exchange gains of R20 million included in cost of sales, as opposed to a loss of R20 million in the prior comparative period. EBITDA includes losses of R137 million in respect of the multichannel and OVHD businesses, which remain in a start-up phase. Profit before tax and headline earnings increased by similar margins, with no significant once-off items included in the results of continuing operations.

Non-casino gaming
Net gaming win from non-casino gaming increased by 16% (Vukani 13% and other gaming 23%). The number of active limited payout machines in Vukani have increased by 1.4% to 5 341 and average GGR per machine by 8.1% to R19 989 during the period. The number of electronic bingo terminals increased by 14.9% to 1 886 during the period. EBITDA increased 36%, with gains of R27 million in Vukani assisted by gains of R28 million in other gaming. Due to overheads being kept stable, especially staff costs and salaries, profit before tax showed a 70% improvement following the increase in EBITDA.

Casino gaming and hotels
Revenue contributed by Tsogo Sun increased by 14%, significantly as a result of a 12% increase in rooms revenue and 63% increase in property rental income following the acquisition of HPF. Net gaming win increased by 3%, with Gold Reef recording an increase of 11% and the rest of the major casinos recording stable net gaming win. EBITDA decreased by 4%, the decrease mainly attributable to a R98 million charge relating to Tsogo Sun's long-term incentive scheme (R41 million gain in the prior comparative period). Profit before tax decreased by 3% and includes a gain on bargain purchase of R13 million relating to the acquisition of HPF. Also included are recycled reserves in respect of available-for-sale financial instruments of R46 million, relating to the shares held in HPF prior to the business combination. Contribution to headline earnings remained stable at R374 million. This amount includes the effect of the group's dilution of its stake in Tsogo Sun in August 2016. Headline earnings were adjusted for the R46 million recycling of fair value reserves and R13 million gain on bargain purchase.

Information technology
The results of Syntell have been reclassified to discontinued operations in the current and prior periods following its disposal in September 2016.

Transport
Golden Arrow Bus Services ("GABS") managed to increase revenue by 13% subsequent to a subsidy increase in excess of previous escalations and new routes having generated additional revenue. EBITDA increased by 23% following the increase in revenue. In addition, savings were achieved on supplies and services. Transport remains the group's second-largest contributor to headline earnings, with gains in profit before tax not affected by exceptional items reversed for headline earnings.

Vehicle component manufacture
The increase in vehicle component manufacture revenue of R22 million related significantly all to tooling sales. The increase in revenue yielded no increase in EBITDA due to tooling sales to manufacturers attracting no margin. These sales will, however, generate future revenue and profit once the constructed production lines have started operations. Increased finance costs resulted in a decrease of 80% in profit before tax.

Beverages
The results of KWV Holdings have been classified as discontinued operations in the prior and current periods. Losses after tax of R71 million (2015: R4 million) in the current year includes impairments of R191 million.

Properties
Properties' revenue increased by 99% due to additional revenue from the exhibition business at Gallagher Estate acquired in March 2016, new development revenue for Olympus Village Mall, Blue Hills Mall and Rand Daily Mail House, and annual escalations in Kalahari Village Mall, The Point and Gallagher Estate. Properties' EBITDA gains were somewhat off-set by increases in finance charges of R22 million, predominantly in relation to the completion of Blue Hills Mall, Olympus Village Mall and the Alexander Forbes office building in La Lucia.

Mining
Increased revenue was recorded at the Palesa and Mbali Collieries in mining. Sales volumes at Palesa increased by 12% following reduced stockpile failures during the period as compared to the prior comparative period. Sales volumes at Mbali increased by 27%. In addition, export sales prices achieved at Mbali were 25% higher than the prior comparative period. EBITDA increased by 188%, mainly as a result of coal quality issues encountered at Palesa Colliery during the prior comparative period not recurring and gross profit margins at the Mbali Colliery increasing from 29% to 42%. Profit before tax increased by R45 million, with additional depreciation of R19 million reducing EBITDA gains due to increased tonnages mined. Earnings increased in line with the profit before tax increase, adjusting for tax.

Branded products and manufacturing
Deneb Investments increased revenue by 3%, with growth attributable to their industrial operations and in particular the first-time recognition of revenue from Premier Rainwater Goods. EBITDA decreased by 21% as foreign exchange losses of R20 million were recorded compared to gains of R12 million in the prior comparative period, reversing gains made in the industrials division. These losses were largely unrealised and relate to hedging instruments. Combined with a marginal increase in finance costs, these losses resulted in profit before tax and headline earnings decreasing significantly.

Other

EBITDA losses from other increased following a share-based payment charge in respect of cash-settled options of certain directors of Niveus and the receipt of a raising fee from the Ithuba funding arrangements in the prior period not recurring. Losses before tax includes the mentioned share-based payment charge and head office finance costs of R100 million. Furthermore, losses of R9 million from associate investments at holding company level, investment income of R40 million from the Ithuba funding arrangements and HCI and Niveus head office overheads are included. Headline earnings also include R20 million headline profit from HCI Australia (non-media).

Notable items on the consolidated income statement include:

Finance costs increased as a result of head office finance costs increasing by R21 million, Tsogo Sun finance costs by R74 million and HCI Properties finance costs by R22 million. The gain on bargain purchase and investment surplus relate to the HPF acquisition.

Increased profitability in eMedia and Niveus led to the increase in non-controlling interests' share of earnings.

Headline earnings per share increased by 18.5% with gross headline earnings increasing 14.3%. The weighted average number of shares in issue in the prior period of 104 165 000 was reduced to 100 526 000 in the current period due to 16 140 000 shares being repurchased during August 2016, which resulted in the discrepancy between the gross and per share profit increase.

GROUP STATEMENT OF FINANCIAL POSITION AND CASH FLOW

Group long-term borrowings at 30 September 2016 comprise central borrowings of R1 629 million, central investment property-related borrowings of R1 250 million, borrowings in Tsogo Sun of R8 787 million and the remainder in other operating subsidiaries. Included in the current portion of borrowings is R551 million owing to SACTWU, being part of their proportionate non-controlling share in eMedia Holdings, R636 million central borrowings and R3 764 million in short-term borrowings in Tsogo Sun. Current central borrowings of R200 million have been refinanced subsequent to reporting date and a further R136 million is expected to be refinanced into longer-term borrowings in due course. Bank overdraft facilities include R1 789 million in Tsogo Sun.

Included in cash flow from investing activities is R392 million received by the group as part of the premature repayment of funding advanced to Ithuba Holdings, the current operator of the National Lottery. Net funding of R1 675 million was raised during the period, R574 million of which is short term. Transactions with non-controlling shareholders include the repurchase of shares by Deneb Investments in the amount of R268 million and the dilution of the group's interest in its Tsogo Sun holding vehicle through an issue of shares to non-controlling shareholders.

Shareholders are referred to the individually published results of eMedia Holdings 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

Headline earnings of the group increased by 14.3% for the six-month period to the end of September over the previous year. In itself this is a good result. When one recognises that the resultant growth in headline earnings per share is enhanced some 15% by virtue of the share buy-back effected earlier this year, the result is rather better.

In truth, our results are a mixed bag of a flat performance by our main asset Tsogo Sun combined with really encouraging performances by most of the other businesses in the group.

Tsogo Sun succeeded in closing its merger with the Hospitality Property Fund, which over time will allow it to hold more of its valuable hotel properties in the form of a listed REIT rather than simply having them privately held. It likewise succeeded in implementing its purchase of 20% of Grand West and has commenced its major expansion of Sun Coast Casino in Durban. These developments will strengthen the longer-term performance of that company.

Our coal mining division improved significantly, both as a result of production improving as well as the price of export coal starting to recover.

Likewise the media division doubled its headline earnings, admittedly off a low base. The turnaround of eTV's audience share noted in our last year-end comment has been followed by revenues lifting in its wake. The rollout of OVHD was a little slower than hoped but approximately 150 000 new boxes were rolled out during the period. There is every expectation that the bouquet will have grown sufficiently by our next report for media agencies to be provided with independent daily ratings of the performance of its channels. This will allow our multichannel offering on that platform to be independently valued by the advertising industry, which is an important start-up milestone.

We have not yet concluded any agreement extending the life of eNCA as an exclusive channel on the DSTV platform but our relationship remains stable and we do not currently foresee any major obstacle to doing so in the near future.

GABS has again done exceptionally well. Weak diesel prices have undoubtedly assisted, but the company has performed well by any number of standards. We are happy to report GABS recently bought its 1 000th MAN bus. This virtually completes the renewal of the entire fleet since we took over the company 10 years ago. Unquestionably Cape Town currently has the most modern bus fleet providing scheduled public transport of any city in the country and we are really proud to have been able to play a major part in that record. It is certainly a far cry from where we were 10 years ago when the majority of the fleet was considerably more than 10 years old.

The property division has not yet emerged as a major contributor to profits in light of the fact that many of the properties are either in the process of construction or are heavily geared, having been recently developed. However, the growth of this division is already visible as the EBITDA comparatives reveal. We remain excited at the progress of this division, which has performed exceptionally well, identifying new developmental stock, tightly managing developments within budget and efficiently managing completed developments across a wide range of properties from shopping centres to office blocks, industrial parks, warehousing, convention spaces and inner-city residential developments.

The continued growth of non-casino gaming has been very encouraging. Despite endless obstruction to the rollout of new licences granted to us we have persevered. A good step forward has been achieved in the KwaZulu-Natal region, where the Gambling Board has settled such litigation with us. Hopefully this will allow our bingo operation to finally roll out its licences which have been loss-making for quite some time while legal impediments to their implementation were dealt with.

Deneb has had its rather encouraging progress disguised at the finish post by the volatility in the Rand's exchange rate. Our policy of hedging foreign currency risk has obliged the company to take on the chin a rather significant swing in its short-term fortunes due to the reporting date valuation of hedging instruments. There is, however, a steady increase in the underlying profitability of the business and we remain confident this reversal will be recovered in consequentially wider margins as sales are realised in the second half of the year. When one takes into consideration the fact that Deneb succeeded in buying back approximately 24% of its equity during the period, this will have an enhanced positive effect in the future.

The group also disposed of KWV, Power Entertainment and Syntell during the period for cash. Likewise the buy-back of HCI shares was effected through a mixture of cash, the sale of Oceania Capital Partners and an effective dilution of our holding into Tsogo Sun.

HCI is currently underwriting a rights issue for Impact Oil and Gas, which remains a key developmental project of the group. Drilling in any of its marine areas in South Africa remains on hold, pending government finalising amendments to the Mineral and Petroleum Resources Development Act. Despite an apparent mutual understanding between industry and the government department responsible early in the year, as well as encouraging indications of intent to prioritise rapid implementation by both Treasury and Cabinet as a whole, the progress of this Bill through its various parliamentary processes has not been fast by any stretch of the imagination, though we remain hopeful for next year.

CHANGES IN DIRECTORATE
Mr Mahomed Gani was appointed as independent non-executive director and chairman of the audit committee with effect from 30 August 2016.

DIVIDEND TO SHAREHOLDERS
The directors of HCI have resolved to declare an interim ordinary dividend number 54 of 45 cents (gross) per HCI share for the six months ended 30 September 2016 from income reserves. The salient dates for the payment of the dividend are as follows:

Last day to trade cum dividend	Monday, 12 December 2016
Commence trading ex dividend	Tuesday, 13 December 2016
Record date	Thursday, 15 December 2016
Payment date	Monday, 19 December 2016

No share certificates may be dematerialised or rematerialised between Tuesday, 13 December 2016 and Thursday, 15 December 2016, 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 92 814 648 (excluding treasury shares held by the company).
- The DT amounts to 6.75 cents per share.
- The net local dividend amount is 38.25 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	TG Govender
Chief Executive Officer	Financial Director

Cape Town
23 November 2016

Directors:
JA Copelyn (Chief Executive Officer), TG Govender (Financial Director), Y Shaik, MSI Gani*, MF Magugu*, ML Molefi*, VE Mphande* (Chairman), JG Ngcobo*, R Watson*
* Independent non-executive

Company secretary:
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