2017

Hosken Consolidated Investments Limited

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

INCOME	+3.1%
EBITDA	+0.9%
HEADLINE EARNINGS	-4.3%
HEADLINE EARNINGS PER SHARE	+8.9%

CORPORATE ADMINISTRATION

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

* Independent non-executive
** Non-executive

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")

Company secretary:
HCI Managerial Services Proprietary Limited

Registered office:
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Cape Town, 7925
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Telephone: 021 481 7560
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Auditors:
Grant Thornton Johannesburg Partnership
@Grant Thornton, Wanderers Office Park,
52 Corlett Drive, Illovo, 2196
Private Bag X10046, Sandton, 2146

Transfer secretaries:
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
PO Box 61051, Marshalltown, 2107

Sponsor:
Investec Bank Limited
100 Grayston Drive, Sandton, Sandown, 2196

Website address:
www.hci.co.za

INVESTMENTS

Tsogo Sun Holdings

Niveus Investments

eMedia Holdings

Vukani Gaming Corporation

Galaxy Bingo

OpenView HD

Golden Arrow Bus Service

HCI Coal

eNCA

Deneb Investments

Gallagher Estate

HCI Properties (division)

Impact Oil & Gas

Formex Industries

Business Systems Group (Africa)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 September 2017 R'000	Unaudited 30 September 2016* R'000	Audited 31 March 2017 R'000
ASSETS			
Non-current assets	**62 849 188**	59 866 363	61 845 515
Property, plant and equipment	**25 321 070**	24 019 665	25 127 835
Investment properties	**9 022 356**	8 054 717	8 510 174
Goodwill	**4 791 000**	4 794 460	4 785 158
Interest in associates and joint ventures	**1 587 342**	1 341 019	1 454 782
Other financial assets	**1 274 661**	1 284 787	1 275 663
Intangibles	**19 584 845**	19 630 778	19 605 686
Deferred taxation	**575 459**	492 233	379 252
Operating lease equalisation asset	**69 765**	54 759	80 393
Long-term receivables	**622 690**	193 945	626 572
Current assets	**9 776 811**	8 089 815	8 563 616
Inventories	**956 496**	1 092 446	955 733
Programme rights	**929 956**	691 906	866 244
Other financial assets	**41 099**	45 757	38 333
Trade and other receivables	**3 457 104**	3 039 254	2 541 697
Taxation	**105 753**	153 232	101 431
Bank balances and deposits	**4 286 403**	3 067 220	4 060 178
Disposal group assets held for sale	**87 117**	1 820 177	126 632
Total assets	**72 713 116**	69 776 355	70 535 763
EQUITY AND LIABILITIES			
Equity	**37 781 006**	34 382 330	36 119 875
Equity attributable to equity holders of the parent	**16 390 408**	15 007 827	15 755 603
Non-controlling interest	**21 390 598**	19 374 503	20 364 272
Non-current liabilities	**24 497 016**	21 966 649	22 868 060
Deferred taxation	**7 921 077**	8 134 490	8 081 558
Long-term borrowings	**15 780 980**	12 563 088	13 999 138
Operating lease equalisation liability	**221 728**	271 351	254 740
Other	**573 231**	997 720	532 624
Current liabilities	**10 435 094**	13 214 892	11 543 748
Trade and other payables	**3 331 500**	4 322 448	3 210 411
Current portion of borrowings	**3 294 215**	5 977 486	5 194 588
Taxation	**176 411**	118 757	124 115
Bank overdrafts	**3 070 755**	2 164 938	2 396 036
Other	**562 213**	631 263	618 598
Disposal group liabilities held for sale	**–**	212 484	4 080
Total equity and liabilities	**72 713 116**	69 776 355	70 535 763
Net asset carrying value per share (cents)	**18 513**	17 055	17 897

* *Restated*

CONDENSED CONSOLIDATED INCOME STATEMENT

	% change	Unaudited 30 September 2017 R'000	Unaudited 30 September 2016* R'000
Revenue		**7 195 902**	6 812 530
Net gaming win		**4 280 185**	4 322 864
Income	3.1%	**11 476 087**	11 135 394
Expenses		**(8 630 785)**	(8 314 722)
EBITDA	0.9%	**2 845 302**	2 820 672
Depreciation and amortisation		**(712 349)**	(708 003)
Operating profit		**2 132 953**	2 112 669
Investment income		**187 220**	114 360
Finance costs		**(910 963)**	(766 304)
Share of profits of associates and joint ventures		**78 088**	22 234
Gain on bargain purchase		**–**	12 764
Investment surplus		**1 772**	46 131
Asset impairments		**(8 026)**	(4 997)
Impairment of goodwill and investments		**(412)**	–
Profit before taxation	(3.7%)	**1 480 632**	1 536 857
Taxation		**(99 502)**	(395 725)
Profit for the period from continuing operations		**1 381 130**	1 141 132
Discontinued operations		**(70 400)**	(224 115)
Profit for the period		**1 310 730**	917 017
Attributable to:			
Equity holders of the parent		**584 694**	376 611
Non-controlling interest		**726 036**	540 406
		1 310 730	917 017

* *Restated*

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Unaudited 30 September 2017 R'000	Unaudited 30 September 2016 R'000
Profit for the period	**1 310 730**	917 017
Other comprehensive income:		
Items that may subsequently be reclassified to profit or loss		
Foreign currency translation differences	**37 117**	(158 733)
Reclassification of foreign currency differences on disposal	**723**	(253 799)
Cash flow hedge reserve	**(53 733)**	(73 683)
Available-for-sale financial asset revaluations	**–**	(19 006)
Total comprehensive income	**1 294 837**	411 796
Attributable to:		
Equity holders of the parent	**581 123**	1 975
Non-controlling interest	**713 714**	409 821
	1 294 837	411 796

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited 30 September 2017 R'000	Unaudited 30 September 2016 R'000
Balance at the beginning of the period*	**36 119 875**	32 928 450
Share capital and premium		
Treasury shares released	**27 343**	13 545
Shares repurchased	**–**	(1 722 859)
Current operations		
Total comprehensive income	**1 294 837**	411 796
Equity-settled share-based payments	**5 783**	5 106
Acquisition of subsidiaries	**(1 092)**	1 954 607
Disposal of subsidiaries	**7 750**	(327 275)
Effects of changes in holding	**1 005 991**	1 655 996
Dividends	**(679 481)**	(537 036)
Balance at the end of the period	**37 781 006**	34 382 330

* *Restated*

RECONCILIATION OF HEADLINE EARNINGS

	% change	Unaudited 30 September 2017 Gross R'000	Unaudited 30 September 2017 Net R'000	Unaudited 30 September 2016 Gross R'000	Unaudited 30 September 2016 Net R'000
Earnings attributable to equity holders of the parent	55.3%		**584 694**		376 611
Gain on bargain purchase		**–**	**–**	(12 764)	(5 535)
Loss on disposal of business assets		**–**	**–**	191 134	37 533
Losses on disposal of plant and equipment		**2 475**	**558**	171	239
Impairment of plant and equipment		**24 415**	**18 508**	1 775	597
Foreign currency translation reserve recycled		**723**	**307**	(253 844)	(216 314)
Losses from disposal/part disposal of subsidiary		**14**	**1 542**	419 370	401 702
Impairment of associates and joint ventures		**412**	**151**	85	18
Recycle of fair value reserves relating to available-for-sale financial instruments		**–**	**–**	(46 250)	(20 056)
Losses on disposal of investment property		**–**	**–**	119	30
Remeasurements included in equity-accounted earnings of associates and joint ventures		**(58 489)**	**(55 594)**	–	–
Headline profit	(4.3%)		**550 166**		574 825
Basic earnings per share (cents)					
Earnings	76.7%		**661.94**		374.64
Continuing operations			**727.06**		571.64
Discontinued operations			**(65.12)**		(197.00)
Headline earnings	8.9%		**622.85**		571.82
Continuing operations			**665.93**		547.27
Discontinued operations			**(43.08)**		24.55
Weighted average number of shares in issue ('000)			**88 330**		100 526
Actual number of shares in issue at the end of the period (net of treasury shares) ('000)			**88 533**		87 997
Diluted earnings per share (cents)					
Earnings	77.4%		**657.03**		370.45
Continuing operations			**721.67**		565.24
Discontinued operations			**(64.64)**		(194.79)
Headline earnings	9.3%		**618.23**		565.43
Continuing operations			**660.99**		541.15
Discontinued operations			**(42.76)**		24.28
Weighted average number of shares in issue ('000)			**88 991**		101 662

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 30 September 2017 R'000	Unaudited 30 September 2016 R'000
Cash flows from operating activities	**27 463**	863 086
Cash generated by operations	**3 020 949**	3 297 753
Net finance costs	**(803 872)**	(677 200)
Changes in working capital	**(1 110 634)**	(589 512)
Taxation paid	**(401 547)**	(511 879)
Dividends paid	**(677 433)**	(656 076)
Cash flows from investing activities	**(1 369 942)**	(1 051 070)
Business combinations and disposals	**15 934**	347 083
Investments acquired	**(64 566)**	(514 686)
Dividends received	**54 024**	66 602
Decrease in loans and receivables	**12 752**	366 332
Intangible assets acquired	**(26 214)**	(16 093)
Investment properties		
– Additions	**(520 667)**	(234 451)
– Disposals	**26 900**	–
Property, plant and equipment		
– Additions	**(878 906)**	(1 119 068)
– Disposals	**10 801**	53 211
Cash flows from financing activities	**881 406**	652 098
Ordinary shares issued and treasury shares released	**26 591**	7 838
Ordinary shares repurchased	**–**	(1 718 936)
Transactions with non-controlling shareholders	**980 979**	688 055
Net funding (repaid) raised	**(126 164)**	1 675 141
(Decrease) increase in cash and cash equivalents	**(461 073)**	464 114
Cash and cash equivalents		
At the beginning of the period	**1 673 363**	520 432
Foreign exchange differences	**3 358**	(23 595)
At the end of the period	**1 215 648**	960 951
Bank balances and deposits	**4 286 403**	3 067 220
Bank overdrafts	**(3 070 755)**	(2 164 938)
Cash in disposal groups held for sale	**–**	58 669
Cash and cash equivalents	**1 215 648**	960 951

SEGMENTAL ANALYSIS

	Unaudited six months ended 30 September 2017		Unaudited six months ended 30 September 2016*	
	Revenue R'000	Net gaming win R'000	Revenue R'000	Net gaming win R'000
Media and broadcasting	**1 203 634**	**–**	1 262 538	–
Non-casino gaming	**38 369**	**716 023**	45 989	643 959
Casino gaming and hotels	**2 803 744**	**3 564 162**	2 615 271	3 678 905
Transport	**849 640**	**–**	817 064	–
Properties	**241 688**	**–**	216 921	–
Mining	**610 552**	**–**	512 835	–
Branded products and manufacturing**	**1 439 516**	**–**	1 340 897	–
Other	**8 759**	**–**	1 015	–
Total	**7 195 902**	**4 280 185**	6 812 530	4 322 864

	EBITDA Unaudited six months ended 30 September		Profit before tax Unaudited six months ended 30 September	
	2017 R'000	2016* R'000	2017 R'000	2016* R'000
Media and broadcasting	**125 376**	285 160	**45 075**	198 511
Non-casino gaming	**257 417**	210 885	**177 078**	134 255
Casino gaming and hotels	**2 005 623**	1 910 189	**1 037 769**	1 067 539
Transport	**194 043**	213 230	**129 076**	158 879
Properties	**102 154**	90 944	**36 611**	32 760
Mining	**150 797**	97 129	**110 373**	47 961
Branded products and manufacturing**	**60 013**	75 566	**5 113**	27 338
Other	**(50 121)**	(62 431)	**(60 463)**	(130 386)
Total	**2 845 302**	2 820 672	**1 480 632**	1 536 857

	Headline earnings Unaudited six months ended 30 September	
	2017 R'000	2016 R'000
Media and broadcasting	**12 486**	65 631
Non-casino gaming	**65 221**	48 610
Casino gaming and hotels	**430 847**	373 563
Information technology	**–**	4 920
Transport	**84 623**	110 498
Beverages	**–**	16 491
Properties	**26 944**	25 185
Mining	**79 884**	35 687
Branded products and manufacturing**	**(5 586)**	1 873
Other	**(144 253)**	(107 633)
Total	**550 166**	574 825

* *Restated*
** *Vehicle component manufacture operations' results reclassified to the branded products and manufacturing segment in the current and prior period*

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The results for the six months ended 30 September 2017 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 2017. 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.

DISCONTINUED OPERATIONS AND DISPOSAL GROUPS HELD FOR SALE

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. The results of these operations are included in the media and broadcasting segment and are included in discontinued operations in the current and prior periods. An investment property with a carrying value of R23 million is classified as held for sale in the statement of financial position in the current period.

Branded products and manufacturing

The board of Deneb Investments resolved during the period to significantly rationalise its Wineland Textiles division, as well as its Seartec digital and electronic equipment division. The results of the discontinued operations of these divisions are included in discontinued operations in the income statement in the current and prior periods. Property, plant and equipment to the value of R2 million is held as disposal group assets held for sale by Deneb Investments.

Non-casino gaming

During March 2017 the group contracted to dispose of subsidiaries Jacaranda Royal Casino, VSlots Lesotho and VSlots Swaziland. The disposals were concluded in June 2017 and the results of these businesses included in discontinued operations in the current and prior periods.

The results of discontinued operations were as follows (R'million):

	Media and broadcasting non-core operations	Branded products and manufacturing textiles and electronic equipment divisions	Non-casino gaming non-core operations
Loss after tax	**(3)**	**(65)**	**–**
Profit (loss) on disposal	**1**	**–**	**(3)**
Foreign currency translation reserves reclassified to profit and loss	**(1)**	**–**	**–**

DISPOSALS

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

- Jacaranda Royal Casino, VSlots Lesotho and VSlots Swaziland, effective June 2017, for an aggregate consideration of R3 million.
- Lalela Music SA, Lalela Music LLC, e.Botswana and e.tv Botswana, effective June 2017 for the Lalela entities and September 2017 for the Botswana entities, for an aggregate consideration of R28 million.

RESULTS

GROUP INCOME STATEMENT AND SEGMENTAL ANALYSIS

Media and broadcasting

Revenue in respect of media and broadcasting includes only revenue from eMedia as revenue from Sunshine Coast Radio in Australia was included in discontinued operations in the prior comparative period. eMedia recorded a decrease in revenue of 5% against the backdrop of a 30% decrease in licence revenue, for eNCA and the five channels provided to DSTV combined, due to the implementation of the new licence agreement. A 7% increase in advertising revenue was recorded in a difficult television advertising environment. Property and facility and content revenue decreased by a combined 9%. EBITDA decreased by 56% and is all attributable to eMedia. The decrease in EBITDA is mainly attributable to the decrease in subscription revenue, together with an increase of 10% in programming costs. Furthermore, forex gains of R20 million included in cost of sales in the prior period has reversed to a loss of R8 million in the current period. EBITDA includes losses of R117 million in respect of the multi-channel and OVHD businesses, which increased revenue from R7 million to R22 million in the current period, but remain in a start-up phase. Profit before tax decreased by 77% and headline earnings decreased by a similar margin, 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 11% (Vukani 8% and other gaming 16%). The number of active machines in Vukani has increased by 8% to 5 883 and average GGR per machine by 0.5% to R19 929. The number of electronic bingo terminals increased to 2 996 during the period. EBITDA from non-casino gaming increased by 22%. Gains of R28 million in Vukani were assisted by gains of R27 million in other gaming. Profit before tax showed a 32% increase following the significant increase in EBITDA. Overheads were kept stable, with staff costs and salaries increasing by only 5%.

Casino gaming and hotels

Revenue in respect of casino gaming and hotels increased by 1.2%. Net gaming win decreased by 3%, off-set by food and beverage and rental revenue growth (Hospitality Property Fund ("HPF") was consolidated for one month only in the prior comparative period) of 9% and 113%, respectively. Significant decreases in net gaming win were recorded in Montecasino (10%) and Silverstar (8%), impacted by the opening of Time Square casino in Menlyn and the general weak trading environment. EBITDA increased by 5%, significantly as a result of a R70 million long-term incentive scheme expense in the prior period reversing to a R35 million income in the current period. Profit before tax decreased by 3%. Included in the prior period was a recycled remeasurement of available-for-sale financial instruments of R46 million, relating to the shares held in HPF prior to the business combination. In the current period, transaction, pre-opening and restructure costs of R64 million are included. Contribution to headline earnings increased to R431 million. This includes an effective share of R133 million of a deferred tax liability reversal following the sale of certain hotel properties to the group's REIT, HPF. Excluding the effect of this reversal results in a decrease in contribution to headline earnings of 20%. Excluding the dilutionary effect of the issue of shares to non-controlling interests in August 2016, by the group's holding company for its Tsogo Sun interest, and the deferred tax reversal, contribution to headline earnings would have decreased by approximately 9%.

Transport

Transport managed to increase revenue by 4%, following a subsidy increase of 3%, which was less than that granted in the prior period. EBITDA decreased by 9%. Wage increases of 12% in Golden Arrow Bus Services outweighed savings in supplies and maintenance costs, resulting in a R22 million decrease in EBITDA. Profit before tax was further reduced by an increase of 17% in finance costs and 10% in depreciation. Headline earnings was not affected by significant items reversed out of profit after tax.

Properties

Properties' revenue increased by 11% due to new development revenue of R20 million from The Palms, the Makro PE premises and Shell House, with annual escalations in the rest of the portfolio off-set slightly by a reduction in revenue in the Gallagher Estate exhibition business. EBITDA increased by 12%, in line with the increase in revenue. EBITDA gains were somewhat off-set by an increase in finance charges of R10 million, originating from increased facilities in respect of the Monte Circle precinct, The Palms and The Point. Headline earnings increased by a reduced margin of 7% due to the decrease in earnings in the Gallagher Estate exhibition business.

Mining

Increased revenue was recorded at the Palesa and Mbali Collieries. Sales volumes at Palesa increased by 119 000 tons (17%) in spite of the previously mentioned fatality and resultant closure during April. In addition, loading activities were halted at various times during the period due to community unrest in the area surrounding the Palesa Colliery. Sales volumes at the Mbali Colliery increased by 17% to 461 000 tons. In addition, export sales prices achieved at the Mbali Colliery were 39% higher than the prior comparative period. EBITDA increased by 55%, mainly as a result of the significant increases in sales volumes at both collieries and the increase in the price of export coal. EBITDA margins at the Palesa Colliery increased from 14% to 18% and at the Mbali Colliery from 28% to 34% compared to the prior comparative period. Profit before tax increased by 130% and does not include any box cut cost amortisation. Headline earnings increased in line with the profit before tax increase.

Branded products and manufacturing

Formex Industries was purchased by Deneb Investments from the company effective end of July 2017. Due to this amalgamation of the group's manufacturing operations, the results of Formex have been incorporated into those of Deneb Investments in the branded products and manufacturing segment for the current and prior period. Branded products and manufacturing increased revenue by 7%, with growth attributable to their industrial operations and branded products. Revenue in Formex increased by R33 million due to additional tooling sales in its pressings division and increased parts revenue in its tubing division. EBITDA decreased by 21%. Foreign exchange losses improved by R12 million compared to the prior comparative period, however all business segments faced reduced gross margins. In addition to factors mentioned under EBITDA, an increase in finance costs further decreased profits. Headline earnings includes the group's share of R65 million in discontinued operations' losses and deferred tax income of R32 million. Impairments of R20 million are included in discontinued operations' losses and consequently excluded for headline earnings.

Other

EBITDA losses from other decreased significantly as a result of a share-based payment charge in respect of cash-settled options to directors of Niveus in the prior period not recurring. Losses before tax decreased by R70 million compared to the prior comparative period. The prior period included the Niveus share-based payment charge which did not recur. The decrease in losses is also attributable to an increase in profits of R55 million from associates, including Impact Oil and Gas, which entity's equity-accounted earnings in the current period includes an effective R53 million profit on part disposal of an exploration licence. Included in the current period's losses is R47 million in equity-accounted profits from associates, R47 million interest income in La Concorde, R107 million head office finance costs and the remainder head office and other overheads of the company, Niveus and La Concorde. Headline earnings included R20 million profit from HCI Australia (non-media) and R40 million investment income for the Ithuba funding arrangements in the prior period, both of which are not included in the current period. The current period includes an effective R7 million profit in La Concorde, R107 million head office finance costs and R6 million in equity-accounted losses from associates.

Notable items on the consolidated income statement include:

Investment income increased as a result of interest earned on promissory notes and cash in La Concorde and increased dividend income earned from the investment in GrandWest and Worcester casinos.

Finance costs increased by R145 million, with head office finance costs increasing by R7 million, Tsogo Sun finance costs by R124 million and HCI Properties finance costs by R10 million.

Profit from associates and joint ventures includes R4 million profit from BSG Africa, R26 million profit from International Hotel Properties and Redefine BDL, and R43 million profit from Impact Oil and Gas.

The average taxation rate, including once-off items, equals 7% due to the reversal of R307 million in deferred tax liabilities in Tsogo Sun upon the sale of certain hotel properties to HPF in the current period. Excluding this reversal, the average taxation rate approximates 27%.

Headline earnings per share increased by 8.9% with gross headline earnings decreasing 4.3%. The weighted average number of shares in issue in the prior period of 100 526 000 was reduced to 88 330 000 in the current period due to 16 million 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 2017 comprise central borrowings of R1 867 million, central investment property-related borrowings of R1 668 million, borrowings in Tsogo Sun of R10 838 million and the remainder in other operating subsidiaries. Included in the current portion of borrowings is R628 million owing to SACTWU, being part of their proportionate non-controlling share in eMedia Holdings, R363 million central borrowings and R1 572 million in short-term borrowings in Tsogo Sun. Current central borrowings of R200 million have been refinanced subsequent to the reporting date and R80 million repaid. Bank overdraft facilities include R2 210 million in Tsogo Sun.

Included in cash flow from investing activities is R302 million paid by HPF for various sections and exclusive use areas of the Sandton Eye sectional title scheme and an existing real right of extension in the scheme. Transactions with non-controlling shareholders consist mainly of the rights issue of R1 billion conducted by HPF in August 2017.

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, and branded products and manufacturing operations.

COMMENTARY

Headline earnings of the group for the six months to September 2017 retreated 4.3% compared with the previous comparable period. However headline earnings per share increased by 8.9% following the repurchase of 16 million shares in August 2016. The decrease in headline earnings was primarily due to eMedia's earnings being a small fraction of what it had been in the previous period.

While in some ways this is disappointing, it is the result of the fact that the renewal of the contract with DSTV, as previously announced, is significantly less lucrative in the short term. Effectively the contract results in less cash up front but over time the revenue earned from our five new channels should surpass the revenue lost.

These channels are also the heart of the OpenView experience, for which subscriptions have climbed to over a million boxes. Several of these channels are already performing well. We have no doubt the advertising revenue earned by them will grow rapidly over the next year or two.

Our media group has also succeeded in terminating an onerous long-term contract to use a second satellite to broadcast OpenView channels. The benefits of this will only be felt from the 2019 financial year but will result in substantial savings to the group from April 2018.

The restructuring of Niveus's gaming assets into Tsogo Sun has finally allowed us to appoint Andre van der Veen to the position of CEO of eMedia and we are confident this too will release much positive energy there.

The growth of Tsogo's earnings is essentially a reflection of a once-off release of value through the transfer of various hotel properties into the Hospitality Property Fund and adjustments arising from the LTI scheme. While the underlying operating performance of Tsogo remained flat we are confident the inclusion of the faster-growing areas in the gaming division and the restructuring of that group's property assets will have a positive effect going forward. Likewise, we are confident the elimination of potential conflict between our gaming businesses was a restructure both unavoidably necessary and value enhancing for both Tsogo and HCI.

The profitability of our transport company likewise retreated somewhat from the highs of the previous period as the US$ price of oil has ticked up and the Rand has weakened against that currency. Nevertheless, the company continues to be very well run and has good prospects over time of growing through acquisitions, which will enhance its profitability in the future.

Mining continued its improved profitability as the coal price remained higher than it had been during the comparable period. The business remains subject to anarchic pressures all around it with interruptions caused by various groups physically obstructing its deliveries and personnel. We have been obliged to take several steps to protect our operations from such upheaval and are satisfied we can continue to operate profitably despite this extreme negativity. Nevertheless, it is really hoped this will subside after the December ANC Elective Conference.

The underlying growth in several of Deneb's operations has been obscured by poor performances in three operations. The group has taken the decision not to continue with most of these operations. The losses occasioned by this decision will continue to affect the second half of the year, but should have no further ill effect on profitability thereafter.

HCI has continued to increase its exposure to IOG and now holds some 34% of its shares. Legislation regulating the prospecting of offshore areas, such as those held by IOG, is now before Parliament in South Africa. It is pivotal to the future prospects of this company that this legislation is passed in a form acceptable to major oil companies that have the capacity to drill in deep water. We await the outcome of this process.

IOG was able to successfully farm out its Namibian prospects to Total and has accordingly again succeeded in persuading a major to invest in its acreage. While this company remains purely a speculative loss-making exploration company it is steadily advancing to a point where it will be able to have such prospects drilled over the next couple of years.

Construction of the concentrated solar power plant at Upington continues on time and within budget and should be almost ready for commissioning by our next report. Likewise, the property division has virtually completed its shopping centre in Hermanus, which will be open for trading over the Christmas holidays. The expansion of Sun Coast and the extension of its privé area are currently under construction.

HCI has participated in a tender for the storage of fuels in the Durban harbour and is considering participating in a further procurement opportunity. While none of these prospects are by any means assured we are satisfied that HCI is continuing to find potentially lucrative areas in which to grow despite a generally weak macroeconomic environment.

CHANGES IN DIRECTORATE

There were no changes in directorate during the period under review.

DIVIDEND TO SHAREHOLDERS

The directors of HCI have resolved to declare an interim ordinary dividend number 56 of 50 cents (gross) per HCI share for the six months ended 30 September 2017 from income reserves. The salient dates for the payment of the dividend are as follows:

Last day to trade cum dividend	Tuesday, 12 December 2017
Commence trading ex dividend	Wednesday, 13 December 2017
Record date	Friday, 15 December 2017
Payment date	Monday, 18 December 2017

No share certificates may be dematerialised or rematerialised between Wednesday, 13 December 2017 and Friday, 15 December 2017, both dates inclusive.

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

- The local DT rate is 20%.
- The number of ordinary shares in issue at the date of this declaration is 92 814 648.
- The DT amounts to 10 cents per share.
- The net local dividend amount is 40 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
22 November 2017

www.hci.co.za

Hosken Consolidated Investments Limited