



2009



Hosker Consolidated Investments Limited

UNAUDITED GROUP INTERIM RESULTS  
for the six months ended 30 September 2009

# Business Segments

as at 30 September 2009

GAMING, HOTELS  
AND LEISURE

MEDIA AND  
BROADCASTING

TRANSPORT

FOOD AND  
BEVERAGES

VEHICLE COMPONENT  
MANUFACTURE

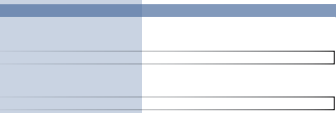
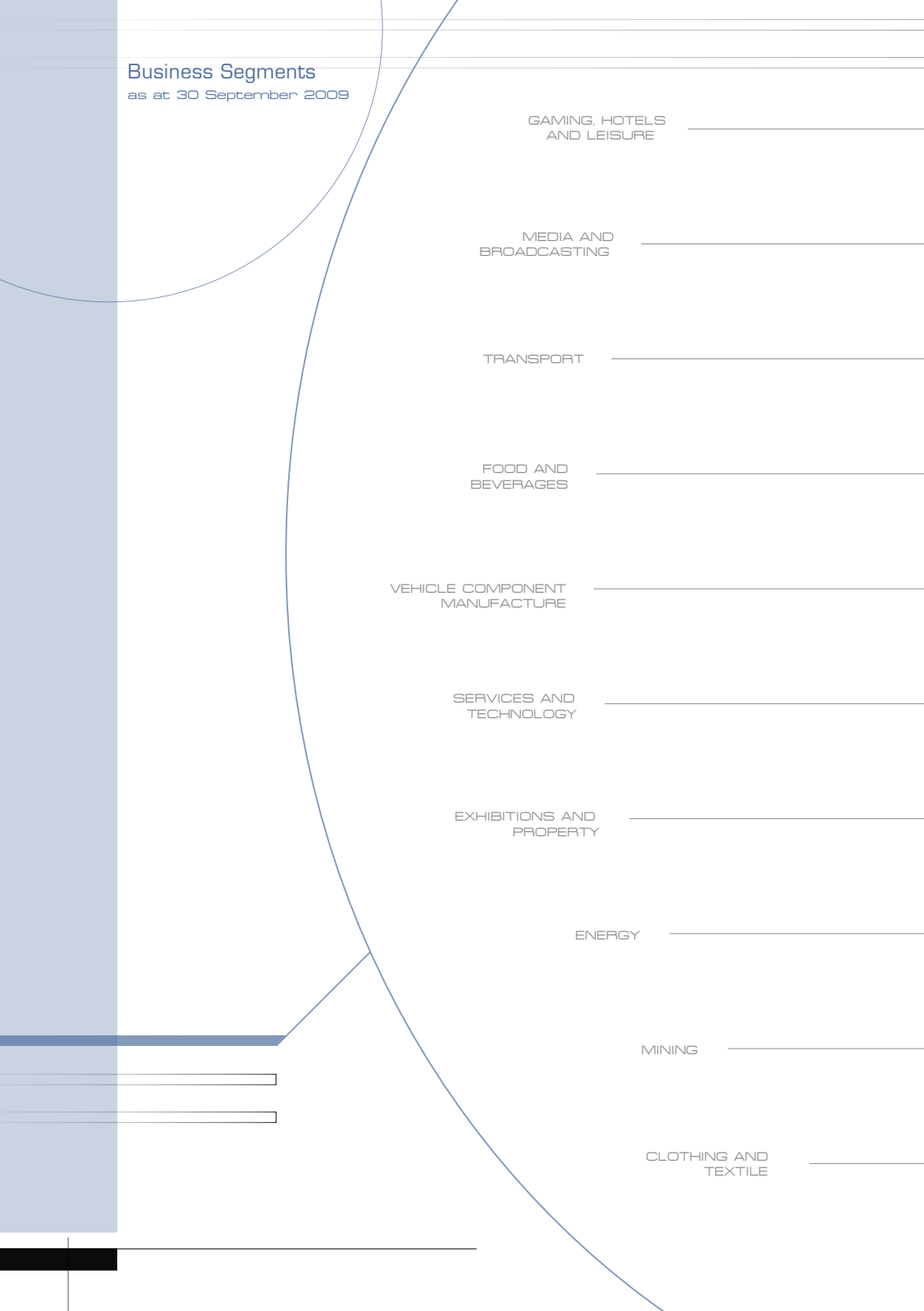
SERVICES AND  
TECHNOLOGY

EXHIBITIONS AND  
PROPERTY

ENERGY

MINING

CLOTHING AND  
TEXTILE





**TSOGO SUN GROUP**

Tsogo Investment  
Holding Company  
74.7%



Vukani Gaming  
Corporation  
100%



e.tv  
64%



Yired  
64%



e sat.tv  
Communications  
64%



Golden Arrow  
Bus Service  
100%



Clover  
44%



Formex  
Engineering  
90%



Business Systems  
Group (Africa)

Business Systems  
Group (Africa)  
40%



Syntell  
55%



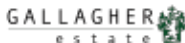
ISILUMKO  
POWERGEN • DISTRIBUTION • MAINTENANCE & REPAIRS

Isilumko  
30.1%



Access Control  
Time & Attendance  
Solutions Provider

Limtech  
58.9%



Gallagher  
100%



Montauk  
Energy Capital  
91.5%



HCI  
Khusela Coal  
80%



SEARDEL  
INVESTMENT CORPORATION

Seardel Investment  
Corporation  
70.6%

## Abridged consolidated income statement

	% Change	Unaudited six months ended 30 September		Audited year ended 31 March
		<b>2009</b>	2008	<b>2009</b>
		<b>R'000</b>	R'000	<b>R'000</b>
			Restated	<b>Restated</b>
Revenue	35,3	<b>4 167 261</b>	3 079 658	<b>7 510 026</b>
Net gaming win		<b>1 785 377</b>	1 685 452	<b>3 468 702</b>
Group revenue	24,9	<b>5 952 638</b>	4 765 110	<b>10 978 728</b>
Other operating expenses		<b>(4 500 680)</b>	(3 215 773)	<b>(7 658 413)</b>
EBITDA	(6,3)	<b>1 451 958</b>	1 549 337	<b>3 320 315</b>
Depreciation and amortisation		<b>(372 538)</b>	(290 070)	<b>(634 228)</b>
	(14,3)	<b>1 079 420</b>	1 259 267	<b>2 686 087</b>
Investment income		<b>34 087</b>	56 514	<b>126 138</b>
Finance costs		<b>(324 788)</b>	(222 946)	<b>(710 431)</b>
Share of profits of associates and joint ventures		<b>83 573</b>	966	<b>68 196</b>
Negative goodwill released		-	-	<b>876 023</b>
Investment surplus		<b>15 000</b>	66 844	<b>49 778</b>
Other impairment reversals		<b>1 608</b>	-	<b>4 070</b>
Asset impairments		-	-	<b>(72 517)</b>
Fair value adjustments of investment properties		-	-	<b>(15 608)</b>
Fair value adjustments of financial instruments		-	(207 300)	<b>(225 148)</b>
Impairment of goodwill, investments and receivables		<b>(26 149)</b>	(2 000)	<b>(73 594)</b>
Profit before taxation	(9,3)	<b>862 751</b>	951 345	<b>2 712 994</b>
Taxation		<b>(240 015)</b>	(465 088)	<b>(772 491)</b>
Profit for the year from continuing operations	28,1	<b>622 736</b>	486 257	<b>1 940 503</b>
Discontinued operations		<b>(161 732)</b>	19 805	<b>(57 212)</b>
Profit for the year	(8,9)	<b>461 004</b>	506 062	<b>1 883 291</b>
Attributable to:				
Equity holders of the parent	(39,7)	<b>125 028</b>	207 192	<b>1 110 488</b>
Minority interest	12,4	<b>335 976</b>	298 870	<b>772 803</b>
		<b>461 004</b>	506 062	<b>1 883 291</b>

## Abridged consolidated income statement (continued)

	% Change	Unaudited six months ended 30 September		Audited year ended 31 March
		<b>2009</b> <b>R'000</b>	2008 R'000	<b>2009</b> <b>R'000</b>
			Restated	<b>Restated</b>
Earnings per share				
Basic (cents)	(40,0)	<b>100,09</b>	166,85	<b>890,58</b>
– Continuing operations (cents)		<b>189,31</b>	151,99	<b>918,05</b>
– Discontinued operations (cents)		<b>(89,22)</b>	14,86	<b>(27,47)</b>
Headline (cents)	(16,3)	<b>104,02</b>	124,22	<b>254,30</b>
– Continuing operations (cents)		<b>165,95</b>	109,36	<b>266,42</b>
– Discontinued operations (cents)		<b>(61,93)</b>	14,86	<b>(12,12)</b>
Weighted average number of shares in issue ('000)		<b>124 916</b>	124 179	<b>124 692</b>
Actual number of share in issue at end of period (net of treasury shares) ('000)		<b>125 239</b>	123 851	<b>124 909</b>
Diluted basic (cents)	(40,4)	<b>96,87</b>	162,63	<b>869,09</b>
– Continuing operations (cents)		<b>183,22</b>	148,15	<b>894,33</b>
– Discontinued operations (cents)		<b>(86,35)</b>	14,48	<b>(25,24)</b>
Diluted headline (cents)	(16,9)	<b>100,67</b>	121,07	<b>248,16</b>
– Continuing operations (cents)		<b>160,61</b>	106,59	<b>259,99</b>
– Discontinued operations (cents)		<b>(59,94)</b>	14,48	<b>(11,83)</b>
Weighted average number of shares in issue ('000)		<b>129 069</b>	127 404	<b>127 776</b>

## Reconciliation of headline earnings

	Unaudited six months ended				Audited year ended	
	30 September 2009		30 September 2008		31 March 2009	
	R'000		R'000		R'000	
	Gross	Net	Gross	Net	Gross	Net
Earnings attributable to equity holders of the parent		<b>125 028</b>		207 192		<b>1 110 488</b>
IAS 16 gains on disposal of property	<b>(60)</b>	<b>(44)</b>	(10 400)	(3 739)	-	-
IAS 16 gains / (losses) on disposal of plant and equipment	<b>6 349</b>	<b>4 635</b>	267	96	<b>(13 083)</b>	<b>(2 731)</b>
IAS 16 impairment of plant and equipment	<b>48 143</b>	<b>34 080</b>	-	-	<b>72 517</b>	<b>49 307</b>
IAS 38 impairment of intangible assets	-	-	-	-	<b>861</b>	<b>472</b>
IAS 39 impairment of investments	<b>4 200</b>	<b>2 973</b>	600	300	-	-
IFRS 3 Impairment of goodwill	-	-	1 400	1 018	<b>12 106</b>	<b>12 106</b>
IFRS 3 Negative goodwill	-	-	-	-	<b>(876 023)</b>	<b>(873 551)</b>
IAS 28 gain on disposal of associates	-	-	(8 840)	(8 840)	<b>(9 972)</b>	<b>(8 840)</b>
IAS 28 impairment of joint venture	-	-	-	-	<b>59 999</b>	<b>47 521</b>
IAS 36 reversal of impairments	<b>(1 608)</b>	<b>(1 567)</b>	-	-	<b>(4 070)</b>	<b>(4 070)</b>
IAS 27 profit from disposal / part of subsidiary	<b>(15 000)</b>	<b>(13 500)</b>	(56 873)	(41 775)	<b>(39 805)</b>	<b>(24 706)</b>
IAS 40 fair value adjustment to investment property	-	-	-	-	<b>15 608</b>	<b>11 090</b>
Re-measurements included in equity-accounted earnings of associates	<b>(21 670)</b>	<b>(21 670)</b>	-	-	-	-
Headline profit		<b>129 935</b>		154 252		<b>317 086</b>

# Abridged consolidated balance sheet

as at 30 September 2009

	<b>30 September 2009 R'000 (unaudited)</b>	30 September 2008 R'000 (unaudited) Restated	<b>31 March 2009 R'000 (audited)</b>
<b>ASSETS</b>			
Non-current assets	<b>14 502 535</b>	11 300 483	<b>13 979 556</b>
Property, plant and equipment	<b>9 545 900</b>	7 790 918	<b>9 271 620</b>
Investment properties	<b>166 937</b>	182 933	<b>166 937</b>
Goodwill	<b>1 528 925</b>	1 238 485	<b>1 263 883</b>
Interest in associates and joint ventures	<b>2 114 020</b>	639 106	<b>1 960 894</b>
Other financial assets	<b>67 902</b>	347 057	<b>63 752</b>
Other intangible assets	<b>604 334</b>	471 870	<b>703 132</b>
Deferred taxation	<b>273 474</b>	215 992	<b>343 446</b>
Operating lease equalisation asset	<b>5 112</b>	4 430	<b>4 970</b>
Non-current receivables	<b>195 931</b>	409 692	<b>200 922</b>
Current assets	<b>3 577 240</b>	2 886 667	<b>4 042 113</b>
Other	<b>2 903 151</b>	1 979 100	<b>3 146 759</b>
Bank balances and deposits	<b>674 089</b>	907 567	<b>895 354</b>
Non-current assets held for sale	<b>245 009</b>	2 120	<b>26 972</b>
Total assets	<b>18 324 784</b>	14 189 270	<b>18 048 641</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	<b>7 809 424</b>	5 902 966	<b>7 619 925</b>
Equity attributable to equity holders of the parent	<b>4 163 141</b>	3 265 545	<b>4 211 289</b>
Minority interest	<b>3 646 283</b>	2 637 421	<b>3 408 636</b>
Non-current liabilities	<b>5 729 610</b>	5 146 737	<b>6 092 077</b>
Deferred taxation	<b>640 395</b>	492 102	<b>684 909</b>
Borrowings	<b>4 595 908</b>	4 237 246	<b>4 911 023</b>
Operating lease equalisation liability	<b>290 769</b>	284 630	<b>262 067</b>
Other	<b>202 538</b>	132 759	<b>234 078</b>
Current liabilities	<b>4 693 830</b>	3 139 567	<b>4 336 639</b>
Non-current liabilities held for sale	<b>91 920</b>	-	<b>-</b>
Total equity and liabilities	<b>18 324 784</b>	14 189 270	<b>18 048 641</b>
Net asset value carrying per share (cents)	<b>3 324</b>	2 637	<b>3 371</b>

## Abridged consolidated statement of comprehensive income

	Unaudited six months ended 30 September		Audited year ended 31 March
	<b>2009</b> <b>R'000</b>	2008 R'000	<b>2009</b> <b>R'000</b>
		Restated	<b>Restated</b>
Profit for the period	<b>461 004</b>	506 062	<b>1 883 291</b>
Other comprehensive income:			
Foreign currency translation differences	<b>(240 915)</b>	5 842	<b>144 242</b>
Cash flow hedge reserve	<b>2 757</b>	10 694	<b>(21 819)</b>
Asset revaluation reserve	<b>1 084</b>	433 920	<b>274 554</b>
Total comprehensive income	<b>223 930</b>	956 518	<b>2 280 268</b>
Attributable to:			
Equity holders of the company	<b>(55 401)</b>	340 037	<b>1 283 359</b>
Minority interests	<b>279 331</b>	616 481	<b>996 909</b>
	<b>223 930</b>	956 518	<b>2 280 268</b>

## Abridged consolidated statement of changes in equity

	Unaudited six months ended 30 September		Audited year ended 31 March
	<b>2009</b> <b>R'000</b>	2008 R'000	<b>2009</b> <b>R'000</b>
		Restated	<b>Restated</b>
Balance at beginning of year	<b>7 619 925</b>	6 232 034	<b>6 232 034</b>
Share capital and premium			
Shares issued	-	79 102	<b>79 102</b>
Treasury shares released	<b>2 145</b>	-	<b>3 620</b>
Treasury shares acquired by subsidiary	-	(22 950)	<b>(22 950)</b>
Current operations			
Total comprehensive income	<b>223 930</b>	956 518	<b>2 280 268</b>
Equity settled share-based payments	<b>4 611</b>	1 413	<b>2 629</b>
Transfers	-	2 454	-
Effects of changes in holding	<b>(5 210)</b>	(597 838)	<b>(533 819)</b>
Minority interest on acquisition of subsidiaries	-	-	<b>437 101</b>
Capital reductions and dividends	<b>(35 977)</b>	(747 767)	<b>(858 060)</b>
Balance at end of period	<b>7 809 424</b>	5 902 966	<b>7 619 925</b>

## Abridged consolidated cash flow statement

	Unaudited six months ended 30 September		Audited year ended 31 March
	<b>2009</b>	2008	<b>2009</b>
	<b>R'000</b>	R'000	<b>R'000</b>
		Restated	<b>Restated</b>
Cash flows from operating activities	<b>926 005</b>	661 868	<b>952 335</b>
Cash flows from investing activities	<b>(1 329 603)</b>	(2 193 107)	<b>(3 997 457)</b>
Cash flows from financing activities	<b>204 713</b>	1 735 040	<b>2 969 423</b>
(Decrease)/increase in cash and cash equivalents	<b>(198 885)</b>	203 801	<b>(75 699)</b>
Cash and cash equivalents			
At beginning of period	<b>549 698</b>	619 719	<b>621 719</b>
Foreign exchange difference	<b>(833)</b>	(2 124)	<b>3 678</b>
At end of period	<b>349 980</b>	821 396	<b>549 698</b>
Bank balances and deposits	<b>674 089</b>	907 567	<b>895 354</b>
Bank overdrafts	<b>(324 109)</b>	(86 171)	<b>(345 656)</b>
Cash and cash equivalents	<b>349 980</b>	821 396	<b>549 698</b>

## Segmental analysis

<b>REVENUE</b>			
Media and broadcasting	<b>765 936</b>	744 979	<b>1 504 367</b>
Limited payout gaming	<b>6 265</b>	3 464	<b>10 534</b>
Casino gaming	<b>317 753</b>	294 000	<b>639 427</b>
Hotels	<b>898 695</b>	1 022 850	<b>2 037 375</b>
Information technology	<b>101 294</b>	117 943	<b>220 582</b>
Transport	<b>456 192</b>	469 926	<b>938 789</b>
Vehicle component manufacture	<b>160 308</b>	261 441	<b>615 160</b>
Mining	<b>60 029</b>	–	<b>6 409</b>
Natural gas	<b>66 722</b>	130 724	<b>220 994</b>
Clothing and textiles	<b>1 295 658</b>	–	<b>1 232 274</b>
Exhibition and properties	<b>29 463</b>	24 653	<b>60 553</b>
Other	<b>8 946</b>	9 678	<b>23 562</b>
Total	<b>4 167 261</b>	3 079 658	<b>7 510 026</b>
Net gaming win			
Limited payout gaming	<b>125 445</b>	103 052	<b>225 226</b>
Casino gaming	<b>1 659 932</b>	1 582 400	<b>3 243 476</b>
Total	<b>1 785 377</b>	1 685 452	<b>3 468 702</b>

## Segmental analysis (continued)

	Unaudited six months ended 30 September	Audited year ended 31 March	
	<b>2009</b> <b>R'000</b>	<b>2008</b> <b>R'000</b>	
		<b>Restated</b>	
		<b>Restated</b>	
<b>EBITDA</b>			
Media and broadcasting	<b>330 931</b>	267 068	<b>568 427</b>
Limited payout gaming	<b>30 707</b>	17 976	<b>28 584</b>
Casino gaming	<b>773 800</b>	749 690	<b>1 655 232</b>
Hotels	<b>238 600</b>	365 719	<b>790 568</b>
Information technology	<b>18 759</b>	28 781	<b>55 239</b>
Transport	<b>70 310</b>	67 397	<b>168 423</b>
Vehicle component manufacture	<b>(22 453)</b>	23 336	<b>(6 480)</b>
Exhibition and properties	<b>10 572</b>	13 008	<b>31 941</b>
Mining	<b>(7 171)</b>	(18 419)	<b>(22 810)</b>
Natural gas	<b>7 293</b>	38 129	<b>79 615</b>
Clothing and textile	<b>14 352</b>	–	<b>38 890</b>
Other	<b>(13 742)</b>	(3 348)	<b>(67 314)</b>
Total	<b>1 451 958</b>	1 549 337	<b>3 320 315</b>
<b>PROFIT BEFORE TAX</b>			
Media and broadcasting	<b>289 114</b>	220 812	<b>466 392</b>
Limited payout gaming	<b>13 004</b>	5 772	<b>(7 350)</b>
Casino gaming	<b>528 800</b>	426 387	<b>1 012 942</b>
Hotels	<b>133 750</b>	321 366	<b>641 602</b>
Information technology	<b>9 887</b>	22 373	<b>40 009</b>
Transport	<b>31 219</b>	32 903	<b>92 418</b>
Vehicle component manufacture	<b>(21 894)</b>	5 896	<b>(12 251)</b>
Food and beverage	<b>48 027</b>	(4 717)	<b>(2 398)</b>
Exhibition and properties	<b>10 410</b>	13 502	<b>13 077</b>
Mining	<b>(7 945)</b>	(17 365)	<b>(19 380)</b>
Natural gas	<b>(42 284)</b>	(89 784)	<b>(189 586)</b>
Clothing and textile	<b>(51 009)</b>	–	<b>(86 213)</b>
Other*	<b>(78 328)</b>	14 200	<b>763 732</b>
Total	<b>862 751</b>	951 345	<b>2 712 994</b>

\*Profit before tax includes investment surplus and negative goodwill

## Notes to the abridged consolidated financial statements

### Basis of preparation and accounting policies

The results for the six months ended 30 September 2009 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically IAS 34: Interim Financial Reporting, and comply with the requirements of the South African Companies Act, 1973 and the Listings Requirements of the JSE Limited. The accounting policies of the group are consistent with those applied for the year ended 31 March 2009. As required by the JSE Limited Listings Requirements, the group reports headline earnings in accordance with Circular 3/2009: Headline Earnings as issued by the South African Institute of Chartered Accountants. The group has applied IFRS 8 and the revised IAS 1 in the current period. These two standards are disclosure standards and have not impacted on the reported results of the group.

### Business combinations

With effect from 30 June 2009, the group acquired a 100% effective interest in Century Casinos Africa (Pty) Limited, comprising 100% interest in Century Casinos Caledon (Pty) Limited, Century Casinos Newcastle (Pty) Limited and Celebration Accommodation and Food Services Management (Pty) Limited. These companies carry on the businesses of casinos, hotels and food and beverage services.

The acquired businesses contributed revenues of R53 million and attributable net profit of R6 million to the group for the period 30 June 2009 to 30 September 2009. If the acquisition had occurred on 1 April 2009, group revenue would increase by R105 million and profit would have increased by R13 million excluding the funding impact of the acquisition. These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiaries to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 April 2009, together with the consequential tax effects. The provisional accounting of

the net assets acquired and goodwill at acquisition is as follows:

	R'000
Non-current assets	237 781
Current assets	20 069
Current liabilities	(90 245)
Fair value of assets acquired	167 605
Goodwill	267 057
Purchase consideration	434 662
Deferred consideration	(158 771)
Cash outflow on acquisition	275 891

### Discontinued operations and non-current assets held for sale

Discontinued operations as disclosed in the group income statement relates to the following:

- The convention business of Gallagher Estates which the group has been ordered by the Competition Commission to dispose of. The group is currently awaiting the Commission's response to proposals by the group regarding the manner of disposal;
- The access platform subsidiary, Johnson Access (Pty) Limited is in the process of disposing of its operations;
- Four of Seardel's manufacturing operations in the Frame division's vertical pipeline – spinning, weaving, finishing and denim; and
- The door module division of Formex Industries (Pty) Limited.

The non-current assets held for sale, as disclosed in the group balance sheet, relate to the following:

- A subsidiary of Johnnic Holdings USA, Montauk Energy Capital LLC, has taken a decision to dispose of certain of its non-material passive landfill sites in the next 12 months;
- The assets of the access platform subsidiary, Johnson Access (Pty) Limited, which are in the process of being disposed of; and
- Certain assets of the Seardel Group which have been committed to being disposed of.

### Post-balance sheet events

#### **Johnson Access (Pty) Limited** (Johnson Access)

Effective from 5 November 2009 Johnson Access, the group's access platform business, disposed of its operations for a consideration of R93,5 million. It is expected that the group will realise a net profit of approximately R40 million from this sale.

#### **Tsogo Sun Kwazulu-Natal (Pty) Limited**

(Suncoast Casino)

On 2 July 2009 the HCl Group announced that Johnnic Holdings Limited, a wholly-owned subsidiary of HCl, had entered into an agreement with Tsogo Sun Gaming (Pty) Limited in terms of which the HCl Group would decrease

its indirect interest in Suncoast Casino. All conditions precedent to this agreement have been fulfilled on 12 October 2009.

#### **Restructuring of the group's interest in Montauk Energy Corporation LLC**

The group has restructured its investment in Montauk Energy Corporation LLC by disposing of its interest in Johnnic Holdings LLC, the immediate holding Company of Montauk, to its 74,67% held subsidiary, Tsogo Investment Holding Company (Pty) Limited, subject to certain terms and conditions. Accordingly the group's effective interest in Montauk Energy Corporation LLC will be reduced to 68,3%.

## Overview of results

### Group results

The group results reflect an overall decrease of 40% in basic earnings attributable to HCI shareholders and a decline of 16% in headline earnings. These results are not directly comparable to the results for the six months ended 30 September 2008 ("prior comparable period") due to the occurrence of the following once off non-recurring events:

- Fair value losses incurred and reported in the prior comparable period due to the mark to market of Tsogo Sun's initial investment in Gold Reef Resorts;
- Fair value losses resulting from the collapse of Lehman Brothers reported in the prior comparable period resulting in impairment of natural gas put options held by Montauk;
- The consolidation of the Seardel Group in the second half of financial year 2009, whose results are fully consolidated in the period under review but not in the prior comparable period.

The main increase in revenue is due to the consolidation of the Seardel Group. The group EBITDA reflected a decline of 6% in comparison to the prior comparable period mainly due to the decline in EBITDA from the hotels segment due to the difficult trading conditions.

Finance costs for the period have increased significantly primarily as a result of the increased level of group borrowings, due to the consolidation of the Seardel Group and the increase in borrowings in the second half of financial 2009, the majority of which was used to increase HCI's interest in Tsogo Sun.

Profit from associates for the period is higher than reported in the prior comparative period primarily because of the equity accounting of the group's interest in Gold Reef Resorts and significantly improved results from Clover Industries Limited during the current period.

Investment surpluses relate mainly to profits on the disposal of the door module business in Formex Industries (Pty) Ltd.

The taxation charge for the current period is lower due to lower STC charges in the current period and the effects

of certain tax adjustments having a positive impact on the current tax charge.

As a result of the above, profit after tax from continuing operations for the six month period increased to R622 million from R486 million in the prior year, which included certain non-recurring fair value losses.

### Group balance sheet

Property, plant and equipment has increased mainly due to the effects of the business combination as set out above and the continued investment in the group's hotel and gaming divisions.

Goodwill increased due to the business combination set out above.

Non-current liabilities at 30 September 2009 comprise non-recourse debt that is presently ringfenced in operating subsidiaries of R3 295 million and recourse debt at the HCI corporate level of R1 300 million.

## INVESTMENTS

### Media and broadcasting

#### Sabido Investments (Pty) Limited

("Sabido" - 64% interest)

Undoubtedly the star of HCI's performers in the current period has been its media assets. Adspend on e.tv continued to rise steadily. eNews has passed its breakeven point and is expected to make its first contributions to profits for the second half of the year.

Equally significant, the group has extended its mediums to broadcast four channels; e.tv, eNews, eAfricaTV and most recently eAfrica News which has been launched as a three hour per day block but which will be further developed towards the goal of a 24 hour continental news channel.

Likewise we have made steady progress in expanding our platforms to distribute our programming across Africa and are now broadcasting out of Botswana and Ghana as well as syndicating the distribution of our eAfricaTV feed into Kenya and Namibia.

There remain major regulatory issues around migration to digital broadcasting. These should not cause significant

## Commentary (continued)

problems for the future growth of the group if dealt with rationally. We remain particularly anxious however, about signal distribution tariffs which have the capacity to combine substantial overcharging with state monopoly at present.

### Gaming, hotels and leisure

#### Tsogo Sun Holdings (Pty) Limited

("Tsogo Sun" 38% interest)

The financial results for the six months to 30 September 2009 reflect the continued difficult trading conditions under which the Tsogo Sun Group is operating, particularly in the Hotel division both locally and offshore. Group revenue of R2 876 million (0,8% below the prior year) and EBITDAR of R1 092 million (12% below the prior year) were recorded, including the impact of a loss on the translation of foreign monetary items of R37 million.

A segmental analysis of the Tsogo Sun Group's revenue and EBITDAR is as follows:

	2009	2009	2008	2008
	Revenue	EBITDAR	Revenue	EBITDAR
Montecasino	898	313	884	323
Suncoast	589	242	566	239
Other Gaming	495	250	443	250
Tsogo Sun Gaming	1 982	805	1 893	812
Southern Sun				
Hotels: South Africa	787	283	886	398
Southern Sun				
Hotels: Offshore	124	41	137	44
Foreign exchange				
losses	-	(37)	-	9
Inter-group				
elimination	(17)	-	(17)	-
	<b>2 876</b>	<b>1 092</b>	2 899	1 245

The group has concluded a number of previously announced corporate activities during the half year which will position the group to benefit substantially from the economic recovery, when it arrives. These activities include:

- The opening of the StayEasy Emalahleni (Witbank), the Southern Sun Hydepark and the Southern Sun Ikoyi Lagos. The Southern Sun Montecasino is on track for

opening in May 2010 and the group is developing two further hotels in conjunction with Liberty properties, being the StayEasy Pietermaritzburg and the Garden Court Umhlanga;

- The attainment of all regulatory approvals for the acquisition of the Century Casinos Caledon and Newcastle operations;
- The acquisition of an additional 30% stake in the Suncoast Casino, through the acquisition of 100% of the shares in Millennium Casino Limited from Johnnic Limited, in a transaction intended to simplify the group's operating structure;
- Obtaining all the regulatory approvals for the 25% shareholding (34,9% voting) stake in Gold Reef Resorts Limited.

The Tsogo Sun Group remains focused on a growth strategy and will continue to pursue opportunities to develop and enhance its core Hotels and Gaming businesses.

#### Gaming

The Tsogo Sun Gaming division continues to outperform other operators in South Africa in terms of Ebitdar margin. Total revenue of R1 982 million and EBITDAR of R805 million were achieved in the six months. The Gauteng province has been under pressure, recording a 4,8% decline for the six months, whilst Montecasino recorded a 1% growth in gaming win, indicating that the Montecasino catchment area is not as affected as other regions within Gauteng.

The KwaZulu-Natal market has continued to hold up reasonably well during the period under review, with Suncoast casino further benefiting from improved trading at the Suncoast Hotel and Towers. Additional slots have been added and parking created at this unit to assist peak period capacity.

The group's other casino interests in Witbank and East London as well as the newly acquired Caledon and Newcastle operations (with effect from 30 June 2009) have performed satisfactorily during the period. Nelspruit has been under pressure as a result of significant road works disrupting day time trade.

### *Hotels South Africa*

The contraction South African tourism and hospitality industry remained under pressure in the first half of the financial year, with the benefit of a number of large sporting events, including the IPL cricket tournament, the British and Irish Lions Tour and the Confederations Cup, not being enough to offset the substantial declines in the Government and Corporate sector revenue, to which Southern Sun is particularly exposed.

International arrivals (including Africa by air) have recorded a decline of 8% for calendar year to July 2008, with all months being negative except for June. This has particularly impacted the Cape Town market.

Hotels South Africa has recorded revenue decline of 11% to R787 million and EBITDAR decline of 29% to R283 million for the six months.

The group is well prepared for the FIFA World Cup in 2010 and looks forward to this exciting opportunity to showcase what the South African hospitality industry can deliver.

### *Hotels Offshore*

The Hotels Offshore division achieved total revenue of R124 million, representing a 9% decline on the prior year. EBITDAR of R41 million was some 7% below the previous year with a margin of 33,1%. The group's African hotels, which are mainly corporate-focused, traded satisfactorily, with leisure product in the Seychelles experiencing reduced demand from Europe. A charge of R37 million was recorded on the translation of foreign denominated monetary items at stronger Rand/US\$ and Rand/Euro translation rates.

The Offshore division is involved in developments in Abu Dhabi and Saudi Arabia, which should assist future years' growth through additional management fee income.

### **Vukani Gaming Corporation (Pty) Limited**

("Vukani" 100% interest)

Vukani, the group's limited payout machine operator, has over the six months under review, focused strongly on increasing its Gross Gaming Revenue ("GGR") per machine. In line with this focus it has embarked on a programme of closing underperforming sites while

continuing its efforts to improve the GGR per machine performance across the installed base. The result of the above actions is that GGR per machine has shown a pleasing increase in the Eastern Cape and Limpopo. Management is confident that this improvement will be mirrored in the other regions in the coming six months. Vukani now has 2 985 installed machines nationally and has begun the long awaited roll-out in Gauteng. As a result of strong cost control EBITDA as a percentage of net gaming win has improved to 24,5% (17,4%) and management is confident that this improvement can continue. The improved margin and increased GGR per machine, coupled with the continuing roll-out of machines have resulted in an increase in EBITDA of 70% over the prior comparable six months.

### **Transport**

#### **Golden Arrow Bus Services (Pty) Limited**

("GABS" 100% interest)

In our last reporting period the company experienced major difficulties with collecting debts on its contract with the state; with the result that it was obliged to sue to enforce its rights as well as to take steps to renegotiate its contractual arrangements so as to live within the state's actual commitment to bus subsidies.

In the current period we are pleased to report that this has satisfactorily been achieved by various amendments to our contract which is now on a basis of distance travelled rather than a per passenger carried basis. The lower level of total subsidies will require some limitation of the services provided as well as adjustment to the fares charged to passengers going forward. It remains our hope, however, that these adjustments can be achieved without noticeable effect on the overall service GABS provides to the city and that it will allow the company to operate profitably going forward.

The company has experienced a significant decline in the number of passengers being carried, which is undoubtedly the consequence of the overall decline in economic activity in the city during the current recessionary conditions. This has obliged the company to manage its costs even more tightly as well as obliging it to restrict capital expenditure on further new buses.

The company remains in discussions around the Integrated Rapid Transport System and our participation

## Commentary (continued)

therein. There are undoubtedly serious problems still to be resolved but we remain committed to attempt to arrive at a sensible outcome that respects everyone's rights and works fairly for all concerned.

### Food and beverages

**Clover Industries Limited** ("Clover" 44% interest)

Clover has had a much better six months than anticipated. The company has done well to align its milk purchases more closely with its sales of fresh product and has also reduced surplus inventory.

More importantly, there has been a better alignment of shareholder interests which has given fresh life to efforts to restructure the company and its capital on a more commercially rational basis.

### Mining

**HCI Khusela Coal (Pty) Limited** ("HKC" 80% interest)

The development costs of the Palesa and Mbali mines has been assessed at R550 million in aggregate at the interim reporting date HCI had invested R400 million.

The Palesa mine is now delivering 55 000 tons per month of washed and unwashed coal to Eskom. The completion of the wash plant remains on schedule for completion and commissioning in the current financial year. Operating cost reduction remains a priority with management who is particularly concerned about the effect of diesel and electricity price increases on the operating margin of the mine.

The review application against the decision of the DME to grant African Exploration Mining and Finance Corporation (Pty) Limited a mining right, despite our prospecting right, is ongoing. Construction of the plant is largely complete and management is assessing the impact of the mining right grant to AFEX on the mining programme and mining infrastructure.

The mining right for the Nokuhle property will be lodged in the current financial year.

### Clothing and textiles

**Seardel Investment Corporation Limited**

("Seardel" 70,6% interest)

The results of Seardel are being published together with those of HCI and details thereof, together with commentary thereon, can be obtained therefrom.

Of central importance to the future of that group, however, is its performance over the next six months. We remain hopeful that the turnaround efforts we have been driving at will bear fruit and allow the group to be returned to profitability in its continuing operations.

### Energy

**Montauk Energy Corporation LLC**

("Montauk" 91,5% interest)

Turnover declined by 44% from USD14,6 million in 2008 to USD8,2 million in 2009 with the group producing 1 474 831 MMBTUs of gas (2008: 1 408 914) and 28 799 699 MW/H (2008: 28 847 496) of electricity. The decline in turnover is mainly attributable to lower gas prices in the USA.

Natural gas prices have remained depressed during the last six months, with natural gas prices touching the USD2,50 at its lowest. Prices have, however, started to recover as the USA goes into winter and injections into gas storage facilities decline. While prices for the November to March period are all in excess of USD5 the significant pricing discrepancy between oil and natural gas remains with the relative ratio at 16 times versus the long-term average of 8 to 10 times.

Effective 1 July 2009 Montauk concluded a revised contract for the sale of its electricity which increased the rate per MW/H by 80%. The group also concluded revised gas sales agreements at its McCarthy and Rumpke sites which increased the price it is paid for its gas by approximately USD2 per MMBTU.

Gas production at the Rumpke site is currently constrained by elevated temperature levels in a couple of

## Commentary (continued)

wells on the site. This has resulted in the EPA monitoring the activities at the landfill more closely and requires Montauk to measure temperature and water levels in the well field at frequent intervals.

Improved operational processes, including better preventative maintenance, should enable increased gas production and improved plant efficiency in the future.

### Vehicle component manufacture

#### **Formex Industries (Pty) Limited**

("Formex" 90% interest)

Turnover reduced from R262 million to R160 million compared to the comparable period last year. The door module division was disposed of effective 31 August 2009, and accordingly the results of its operations have been included in discontinued operations.

The reduced turnover resulted in a loss of R21 million for the six months. The pressings and tubing divisions are capital intensive and the current turnover is not adequate to be able to service the interest cost on the debt incurred to acquire the equipment and related infrastructure. HCI has advanced funds to Formex during the period to ensure that the business can meet its commitments.

The depressed automotive sector is showing signs of increasing sales but this is largely limited to the smaller vehicle platforms. It is difficult to determine whether improved sales are the result of the restocking of the logistics pipeline or if it is reflective of increased sales to the end customer. Feedback from our customers appear to favour the latter explanation. Management has, however, continued to focus on reducing the break-even sales level and the renegotiation of below-margin sales contracts.

The pressings division returned to profitability during the last months and the future order book is supporting profitable trading. The tubing division has not exceeded break-even turnover but the confirmed future order book should see the division break even and trade profitably in the first half of 2010.

Plans to close or sell the pulley division are progressing and it is expected that the major part of the business will

be sold or closed in the current calendar year, with the majority of contracts already terminated.

### Exhibitions and property

#### **Gallagher Estate Holdings Limited**

("Gallagher Estates" 100% interest)

The business has performed in line with expectations. As stated previously, the competition issues remain unresolved.

### Changes in directorate

Certain directors who are responsible for the running of group subsidiaries resigned from the HCI board in order to focus their energies on the running of these subsidiaries. These directors are JA Mabuza, VE Mphande and A van der Veen.

Mr AM Ntuli, a full time employee and director of Searde! Investment Corporation Limited ("Searde!"), a HCI group subsidiary, resigned in order to join the executive management team of Searde!.

The Chief Financial Officer, Mr TG Govender, was appointed as the Group Financial Director.

### Distributions to shareholders

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

For and behalf of the board of directors



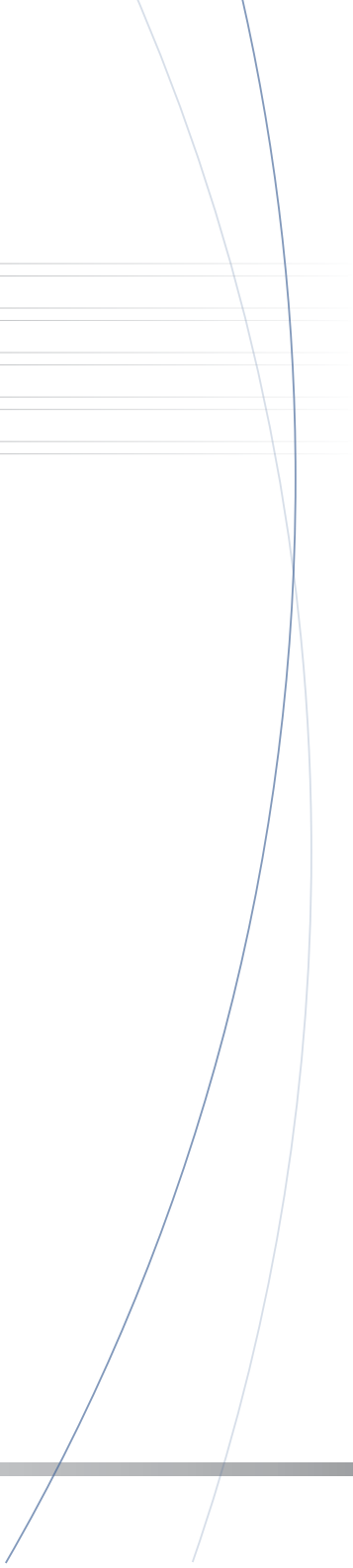
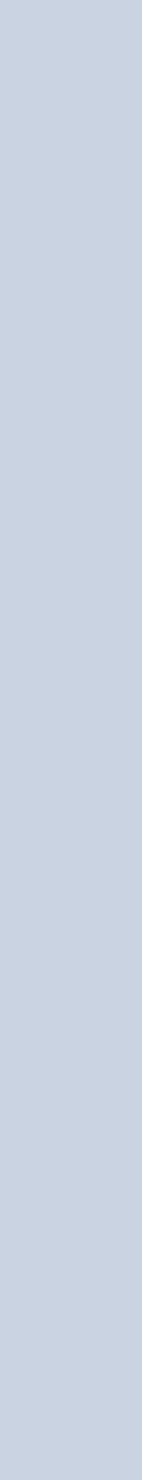
**MJA Golding**

Chairman  
Cape Town



**JA Copelyn**

Chief Executive Officer  
6 November 2009



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