

UNAUDITED GROUP INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010



Hosken Consolidated Investments Limited

**DIRECTORS****Executive Directors**

Marcel Jonathan Anthony Golding (Chairman)  
Block B, Longkloof Studios  
Darters Road, Gardens  
Cape Town, 8001

John Anthony Copelyn (Chief Executive Officer)  
Block B, Longkloof Studios  
Darters Road, Gardens,  
Cape Town, 8001

Theventheran Govindsamy Govender  
(Financial Director)  
Block B, Longkloof Studios  
Darters Road, Gardens  
Cape Town, 8001

**Non Executive Directors**

Virginia Mary Engel \*  
Block A, Longkloof Studios  
Darters Road, Gardens  
Cape Town, 8001

Rakesh Sanjee Garach #  
Block B, Longkloof Studios  
Darters Road, Gardens  
Cape Town, 8001

Mimi Freddie Maguyo #  
Block B, Longkloof Studios  
Darters Road, Gardens  
Cape Town, 8001

Dr Moretlo Lynette Molefi #  
Block B, Longkloof Studios  
Darters Road, Gardens  
Cape Town, 8001

Velaphi Elias Mphande \*  
Block B, Longkloof Studios  
Darters Road, Gardens  
Cape Town, 8001

Jabulani Geffrey Ngcobo #  
Block B, Longkloof Studios  
Darters Road, Gardens  
Cape Town, 8001

Yunis Shaik #  
52 Troon Road  
Greenside, 2193

\* Non-executive  
# Independent non-executive

**WEBSITE ADDRESS**

www.hci.co.za

**COMPANY REGISTRATION NUMBER**

1973/007111/06

**SHARE CODE**

HCI ISIN: ZAE000003257

**COMPANY SECRETARY  
AND REGISTERED OFFICE**

HCI Managerial Services (Pty) Limited  
Block B, Longkloof Studios  
Darters Road, Gardens,  
Cape Town, 8001

Telephone: (021) 481 7560  
Telefax: (021) 426 2777  
P O Box 5251  
Cape Town, 8000

**AUDITORS**

PKF (Jhb) Inc  
Registration number 1994/001166/21  
42 Wierda Road West,  
Wierda Valley,  
Johannesburg, 2196  
Private Bag X10046,  
Sandton 2146

**BANKERS**

First National Bank of Southern Africa Limited

**SPONSOR**

Investec Bank Limited  
100 Grayston Drive  
Sandton, Sandown, 2196

**TRANSFER SECRETARIES**

Computershare Investor Services Ltd  
70 Marshall Street  
Johannesburg, 2001  
PO Box 61051, Marshalltown, 2107

**134.5%**

INCREASE IN ATTRIBUTABLE PROFIT

**118.7%**

INCREASE IN HEADLINE EARNINGS

**117.6%**

INCREASE IN HEADLINE EARNINGS PER SHARE

# ABRIDGED CONSOLIDATED INCOME STATEMENT

	%Change	Unaudited six months ended		Audited year ended
		<b>30 September</b>		<b>31 March</b>
		<b>2010</b>	2009	<b>2010</b>
		<b>R'000</b>	R'000	<b>R'000</b>
Revenue	17,5%	<b>4 431 720</b>	3 771 314	<b>7 845 805</b>
Net gaming win		<b>1 961 292</b>	1 785 377	<b>3 686 356</b>
Income	15,1%	<b>6 393 012</b>	5 556 691	<b>11 532 161</b>
Expenses		<b>(4 757 068)</b>	(4 106 495)	<b>(8 464 231)</b>
EBITDA	12,8%	<b>1 635 944</b>	1 450 196	<b>3 067 930</b>
Depreciation and amortisation		<b>(387 069)</b>	(354 526)	<b>(709 295)</b>
Operating profit	14,0%	<b>1 248 875</b>	1 095 670	<b>2 358 635</b>
Investment income		<b>48 856</b>	33 378	<b>103 873</b>
Finance costs		<b>(298 897)</b>	(311 493)	<b>(655 380)</b>
Share of profits of associates and joint ventures		<b>36 917</b>	83 573	<b>536 443</b>
Negative goodwill released		-	-	<b>2 544</b>
Investment surplus		-	-	<b>41 976</b>
Fair value adjustments to investment properties		<b>1 882</b>	-	<b>17 834</b>
Impairment reversals		<b>4 461</b>	1 608	<b>51 681</b>
Asset impairments		-	-	<b>(48 692)</b>
Fair value adjustments to financial instruments		-	-	<b>3 869</b>
Impairment of goodwill and investments		-	(21 949)	<b>(197 573)</b>
Profit before taxation	18,3%	<b>1 042 094</b>	880 787	<b>2 215 210</b>
Taxation		<b>(323 249)</b>	(230 538)	<b>(646 624)</b>
Profit for the period from continuing operations	10,5%	<b>718 845</b>	650 249	<b>1 568 586</b>
Discontinued operations		<b>(43 649)</b>	(189 245)	<b>(237 098)</b>
Profit for the period	46,5%	<b>675 196</b>	461 004	<b>1 331 488</b>
Attributable to:				
Equity holders of the parent	134,5%	<b>293 163</b>	125 028	<b>603 995</b>
Minority interest	13,7%	<b>382 033</b>	335 976	<b>727 493</b>
		<b>675 196</b>	461 004	<b>1 331 488</b>

# RECONCILIATION OF HEADLINE EARNINGS

	Unaudited six months ended				Audited year ended	
	30 September 2010		30 September 2009		31 March 2010	
	R'000		R'000		R'000	
	Gross	Net	Gross	Net	Gross	Net
Earnings attributable to equity holders of the parent		<b>293 163</b>		125 028		<b>603 995</b>
IAS 16 gains on disposal of property	<b>(78)</b>	<b>(30)</b>	( 60)	( 44)	-	-
IAS 16 (losses) / gains on disposal of plant and equipment	<b>(22 151)</b>	<b>(13 633)</b>	6 349	4 635	<b>29 486</b>	<b>20 789</b>
IAS 16 impairment of plant & equipment	<b>13 911</b>	<b>10 477</b>	48 143	34 080	<b>29 599</b>	<b>24 020</b>
IAS 39 impairment of investments	-	-	4 200	2 973	-	-
IFRS 3 impairment of goodwill	-	-	-	-	<b>75 314</b>	<b>75 314</b>
IFRS 3 negative goodwill	-	-	-	-	<b>(2 544)</b>	<b>(969)</b>
IAS 28 impairment of joint venture	-	-	-	-	<b>1 539</b>	<b>1 429</b>
IAS 36 impairment of assets	-	-	-	-	<b>161 589</b>	<b>142 129</b>
IAS 36 reversal of impairments	<b>(4 461)</b>	<b>(4 461)</b>	( 1 608)	( 1 567)	<b>(49 338)</b>	<b>(34 926)</b>
IAS 27 profit from disposal / part disposal of subsidiary	-	-	( 15 000)	( 13 500)	<b>(39 231)</b>	<b>(36 483)</b>
IAS 40 fair value adjustment to investment property	<b>(1 882)</b>	<b>(1 332)</b>	-	-	<b>(17 834)</b>	<b>(15 009)</b>
IAS 39 profit on disposal of available for sale asset	-	-	-	-	<b>(2 747)</b>	<b>(2 747)</b>
Re- measurements included in equity-accounted earnings of associates	-	-	( 21 670)	( 21 670)	<b>(408 026)</b>	<b>(408 026)</b>
Headline profit		<b>284 184</b>		129 935		<b>369 516</b>

# RECONCILIATION OF HEADLINE EARNINGS

		Unaudited six months ended <b>30 September 2010</b>	Audited year ended 30 September 2009	<b>31 March 2010</b>
	%Change	Net	Net	Net
<b>Basic earnings per share (cents)</b>				
Earnings	133%	<b>233.53</b>	100.09	<b>482.87</b>
Continuing operations		<b>269.33</b>	212.42	<b>638.18</b>
Discontinued operations		<b>(35.80)</b>	(112.33)	<b>(155.31)</b>
<b>Headline earnings</b>				
Headline earnings	118%	<b>226.38</b>	104.02	<b>295.41</b>
Continuing operations		<b>264.89</b>	199.88	<b>433.15</b>
Discontinued operations		<b>(38.51)</b>	(95.86)	<b>(137.74)</b>
Weighted average number of shares in issue ('000)		<b>125,534</b>	124,916	<b>125,085</b>
Actual number of shares in issue at end of period (net of treasury shares) ('000)		<b>126,001</b>	125,239	<b>125,254</b>
<b>Diluted earnings per share (cents)</b>				
Earnings	133%	<b>225.57</b>	96.87	<b>469.99</b>
Continuing operations		<b>260.15</b>	205.59	<b>621.16</b>
Discontinued operations		<b>(34.58)</b>	(108.72)	<b>(151.17)</b>
<b>Headline earnings</b>				
Headline earnings	117%	<b>218.66</b>	100.67	<b>287.53</b>
Continuing operations		<b>255.86</b>	193.44	<b>421.60</b>
Discontinued operations		<b>(37.20)</b>	(92.77)	<b>(134.07)</b>
Weighted average number of shares in issue ('000)		<b>129,966</b>	129,069	<b>128,512</b>

# ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited		Audited
	30 September		31 March
	2010	2009	2010
	R'000	R'000	R'000
<b>ASSETS</b>			
Non-current assets	<b>14 372 063</b>	14 502 535	<b>14 968 791</b>
Property, plant and equipment	<b>9 467 582</b>	9 545 900	<b>9 660 977</b>
Investment properties	<b>363 901</b>	166 937	<b>218 585</b>
Goodwill	<b>1 475 791</b>	1 528 925	<b>1 544 195</b>
Interest in associates and joint ventures	<b>1 815 155</b>	2 114 020	<b>2 405 254</b>
Other financial assets	<b>177 914</b>	67 902	<b>62 827</b>
Other intangible assets	<b>647 522</b>	604 334	<b>644 402</b>
Deferred taxation	<b>234 515</b>	273 474	<b>230 997</b>
Operating lease equalisation asset	<b>1 137</b>	5 112	<b>962</b>
Non-current receivables	<b>188 546</b>	195 931	<b>200 592</b>
Current assets	<b>4 309 503</b>	3 577 240	<b>3 790 747</b>
Other	<b>2 673 202</b>	2 903 151	<b>2 499 162</b>
Bank balances and deposits	<b>1 636 301</b>	674 089	<b>1 291 585</b>
Non-current assets held for sale	<b>201 530</b>	245 009	<b>110 886</b>
Total assets	<b>18 883 096</b>	18 324 784	<b>18 870 424</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	<b>8 904 176</b>	7 809 424	<b>8 380 190</b>
Equity attributable to equity holders of the parent	<b>4 854 441</b>	4 163 141	<b>4 639 167</b>
Minority interest	<b>4 049 735</b>	3 646 283	<b>3 741 023</b>
Non-current liabilities	<b>5 531 822</b>	5 729 610	<b>5 895 287</b>
Deferred taxation	<b>660 526</b>	640 395	<b>652 848</b>
Borrowings	<b>4 335 978</b>	4 595 908	<b>4 657 471</b>
Operating lease equalisation liability	<b>284 682</b>	290 769	<b>287 429</b>
Other	<b>250 636</b>	202 538	<b>297 539</b>
Current liabilities	<b>4 388 242</b>	4 693 830	<b>4 574 694</b>
Non-current liabilities held for sale	<b>58 856</b>	91 920	<b>20 253</b>
Total equity and liabilities	<b>18 883 096</b>	18 324 784	<b>18 870 424</b>
Net asset value carrying per share (cents)	<b>3 853</b>	3 324	<b>3 704</b>

## ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited six months ended		Audited year ended
	<b>30 September</b>		<b>31 March</b>
	<b>2010</b>	2009	<b>2010</b>
	<b>R'000</b>	R'000	<b>R'000</b>
Balance at beginning of period	<b>8 380 190</b>	7 619 925	<b>7 619 925</b>
<i>Share capital and premium</i>			
Treasury shares released	<b>10 965</b>	2 145	<b>11 751</b>
<i>Current operations</i>			
Total comprehensive income	<b>615 530</b>	223 930	<b>1 054 043</b>
Equity settled share-based payments	<b>6 412</b>	4 611	<b>7 408</b>
Effects of changes in holding	<b>(14 097)</b>	(5 210)	<b>5 061</b>
Capital reductions and dividends	<b>(94 824)</b>	(35 977)	<b>(317 998)</b>
Balance at end of period	<b>8 904 176</b>	7 809 424	<b>8 380 190</b>

## ABRIDGED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Unaudited six months ended		Audited year ended
	<b>30 September</b>		<b>31 March</b>
	<b>2010</b>	2009	<b>2010</b>
	<b>R'000</b>	R'000	<b>R'000</b>
Profit for the period	<b>675 196</b>	461 004	<b>1 331 488</b>
Other comprehensive income:			
Foreign currency translation differences	<b>(46 455)</b>	(240 915)	<b>(276 836)</b>
Cash flow hedge reserve	<b>(12 174)</b>	2 757	<b>(1 478)</b>
Asset revaluation reserve	<b>(1 037)</b>	1 084	<b>869</b>
Total comprehensive income	<b>615 530</b>	223 930	<b>1 054 043</b>
Attributable to:			
Equity holders of the parent	<b>260 028</b>	(55 401)	<b>409 076</b>
Minority interests	<b>355 502</b>	279 331	<b>644 967</b>
	<b>615 530</b>	223 930	<b>1 054 043</b>

# ABRIDGED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited six months ended		Audited year ended
	30 September		31 March
	2010	2009	2010
	R'000	R'000	R'000
Cash flows from operating activities	<b>956 118</b>	926 005	<b>1 765 164</b>
Cash flows from investing activities	<b>203 952</b>	(1 329 603)	<b>(2 061 381)</b>
Cash flows from financing activities	<b>(653 172)</b>	204 713	<b>717 752</b>
Increase/(Decrease) in cash and cash equivalents	<b>506 898</b>	(198 885)	<b>421 535</b>
Cash and cash equivalents			
At beginning of period	<b>959 539</b>	549 698	<b>549 698</b>
Foreign exchange difference	<b>(1 802)</b>	(833)	<b>(11 694)</b>
At end of period	<b>1 464 635</b>	349 980	<b>959 539</b>
Bank balances and deposits	<b>1 663 882</b>	674 089	<b>1 291 728</b>
Bank overdrafts	<b>(199 247)</b>	(324 109)	<b>(332 189)</b>
Cash and cash equivalents	<b>1 464 635</b>	349 980	<b>959 539</b>

# SEGMENTAL ANALYSIS

	Unaudited six months ended				Audited year ended	
	30 September 2010		30 September 2009		31 March 2010	
	Revenue	Net gaming win	Revenue	Net gaming win	Revenue	Net gaming win
	R'000		R'000		R'000	
Media and broadcasting	766 265	-	685 935	-	1 431 586	-
Limited payout gaming	3 180	150 139	6 265	125 445	10 984	259 822
Casino gaming	401 979	1 774 418	317 753	1 659 932	646 871	3 409 651
Hotels	979 399	-	898 695	-	1 753 493	-
Information technology	125 946	-	101 294	-	230 281	-
Transport	470 095	-	456 192	-	897 554	-
Vehicle component manufacture	178 082	-	129 678	-	311 426	-
Exhibition and properties	30 209	-	29 463	-	69 592	-
Mining	167 844	-	60 029	-	141 551	-
Natural gas	93 309	-	66 722	-	172 468	-
Clothing and textile	1 201 870	-	1 010 342	-	2 165 728	-
Other	13 542	36 735	8 946	-	14 271	16 883
<b>Total</b>	<b>4 431 720</b>	<b>1 961 292</b>	<b>3 771 314</b>	<b>1 785 377</b>	<b>7 845 805</b>	<b>3 686 356</b>

	Unaudited six months ended		Audited year ended
	30 September		31 March
	2010	2009	2010
	R'000	R'000	R'000
<b>Profit before tax</b>			
Media and broadcasting	246 658	257 559	502 429
Limited payout gaming	21 980	13 004	14 168
Casino gaming	547 778	528 800	1 144 973
Hotels	183 955	133 750	273 388
Information technology	21 142	9 887	35 724
Transport	69 027	31 219	98 048
Vehicle component manufacture	(6 378)	(11 847)	(46 438)
Food and beverage	-	48 027	348 255
Exhibition and properties	5 715	10 410	46 006
Mining	8 671	(7 945)	(6 643)
Natural gas	(37 275)	(42 284)	(53 734)
Clothing and textile	3 984	(11 465)	37 766
Other	(23 163)	(78 328)	(178 732)
<b>Total</b>	<b>1 042 094</b>	<b>880 787</b>	<b>2 215 210</b>

# SEGMENTAL ANALYSIS

	Unaudited six months ended		Audited year ended
	<b>30 September</b>		<b>31 March</b>
	<b>2010</b>	2009	<b>2010</b>
	<b>R'000</b>	R'000	<b>R'000</b>
<b>EBITDA</b>			
Media and broadcasting	<b>294 296</b>	299 445	<b>574 968</b>
Limited payout gaming	<b>41 687</b>	30 707	<b>56 829</b>
Casino gaming	<b>829 174</b>	773 800	<b>1 646 965</b>
Hotels	<b>280 014</b>	238 600	<b>480 294</b>
Information technology	<b>28 046</b>	18 759	<b>49 279</b>
Transport	<b>98 791</b>	70 310	<b>168 307</b>
Vehicle component manufacture	<b>3 863</b>	(2 911)	<b>(30 180)</b>
Exhibition and properties	<b>5 830</b>	10 572	<b>28 611</b>
Mining	<b>15 130</b>	(7 171)	<b>(3 833)</b>
Natural gas	<b>7 893</b>	7 293	<b>38 468</b>
Clothing and textile	<b>30 031</b>	24 534	<b>98 390</b>
Other	<b>1 189</b>	(13 742)	<b>(40 168)</b>
<b>Total</b>	<b>1 635 944</b>	1 450 196	<b>3 067 930</b>
<b>Headline earnings</b>			
Media and broadcasting	<b>117 792</b>	122 561	<b>227 744</b>
Limited payout gaming	<b>13 767</b>	8 176	<b>29 239</b>
Casino gaming	<b>139 284</b>	181 235	<b>340 641</b>
Hotels	<b>48 377</b>	31 686	<b>55 175</b>
Information technology	<b>7 896</b>	3 173	<b>15 931</b>
Transport	<b>50 724</b>	23 141	<b>76 225</b>
Vehicle component manufacture	<b>(5 932)</b>	(24 770)	<b>(122 182)</b>
Food and beverage	-	26 357	<b>35 197</b>
Exhibition and properties	<b>13 401</b>	16 510	<b>25 976</b>
Mining	<b>8 671</b>	(7 945)	<b>(6 643)</b>
Natural gas	<b>(18 774)</b>	(39 142)	<b>(27 686)</b>
Clothing and textile	<b>(56 170)</b>	(116 323)	<b>(103 236)</b>
Other	<b>(34 852)</b>	(94 724)	<b>(176 865)</b>
<b>Total</b>	<b>284 184</b>	129 935	<b>369 516</b>

**Basis of preparation and accounting policies**

The results for the six months ended 30 September 2010 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the AC500 series of interpretations as issued by the Accounting Practices Board, 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 2010 except for the first time application of the revised IAS27. This standard requires that all changes in a parent's ownership interest in a subsidiary after control is obtained, that do not result in a loss of control, are accounted for as equity transactions. 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.

**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;

- Sabido's cellphone content provider, Viamedia, which is in the process of being disposed of; and
- Seardel's Intimate Apparel & four of Seardel's manufacturing operations in the Frame division's vertical pipeline – spinning, weaving, finishing and denim.

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

- Sabido's cellphone content provider, Viamedia, which is in the process of being disposed of;
- The remaining assets of the pulley division of Formex, the operations of which had ceased in the year to March 2010; and
- Certain assets of the Seardel Group which have been committed to being disposed of, including those of Intimate Apparel.

**Post balance sheet events***Tsogo Investment Holding Company ("TIH")*

On 15 October 2010, TIH's agreement to repurchase 25% of its issued share capital from Nafcoc Investment Holdings Limited ("Nafhold"), for a purchase consideration of R1200 million, became unconditional. TIH settled the purchase consideration by the payment of R700 million in cash and issuing R500 million of redeemable preference shares. As a result of this transaction the groups interest in TIH has increased from 74.67% to 99.56%, increasing the group's effective interest in TIH's 51% held subsidiary, Tsogo Sun, from 38.08% to 50.78%.

## OVERVIEW OF RESULTS

### Group results

The group results reflect an overall increase of 135% in basic earnings attributable to HCl shareholders and an increase of 119% in headline earnings.

There has been growth in revenue across all segments. In line with this growth in revenue, group EBITDA has grown by 12% in comparison to the prior comparable period.

A lower interest rate environment together with the amortisation of debt capital has led to lower finance costs for the period when compared to the prior comparable period, while investment income has increased in line with an increase in cash resources.

Profit from associates and joint ventures for the period is significantly lower than reported in the prior comparative period primarily because of the disposal of Clover Industries Limited ("CIL") which had contributed significantly to the prior comparable period profit from associates and joint ventures.

At March 2010 the carrying value of the group's equity interest in CIL had been impaired to the level of the proceeds expected on disposal, being R493 million. The impairment reversal represents the proceeds received in excess of that carrying value.

The taxation charge for the current period is relatively higher than that in the prior comparable period due to the inclusion of certain positive tax adjustments in the prior comparable period.

As a result of the above, profit after tax from continuing operations for the six month period has increased to R1042 million from R880 million.

### Statement of Financial Position

The structure of the group statement of financial position remains largely unchanged from that at March 2010 with the exception of the groups equity interest in CIL being monetised and the reduction of total group borrowings from R 6 880 million to R6 290 million, which includes R1300 million of recourse debt at the HCl corporate level.

Of the R1 636 million of cash resources reflected on the group's statement of financial position, R875 million was held at the HCl

corporate level, of which R700 million was subsequently used to fund the Nafhold repurchase.

Once the proposed merger between Tsogo Sun and Gold Reef Resorts becomes unconditional HCl will not have control over the merged entity. As a result of this loss of control, HCl will no longer consolidate the assets (R10 059 million at September 2010) and liabilities (R6 188 million at September 2010) of Tsogo Sun but will rather carry its equity accounted interest in the merged entity on the Investment in Associates line in the group's statement of financial position.

## INVESTMENTS

### MEDIA AND BROADCASTING

#### Sabido Investments (Pty) Ltd ("Sabido")

For the six month period ended 30 September 2010, Sabido reported a 12% increase in revenues when compared to the prior period. This was influenced mainly by acquisition and subscriber revenue growth whilst advertising revenue only increased by 4%.

The six month period was dominated by the FIFA 2010 Soccer World Cup ("FIFA World Cup"). In light of the fact that the event was in South Africa and the rights thereto were not held by eTV we anticipated this might be an especially lean period for our business. Our results show us to be relatively flat compared with the prior comparable period, which we regard as a very good result for this period. We do not anticipate the soccer having any similar effect on the second six months and as a result remain confident that Sabido will continue to perform well.

### GAMING, HOTELS AND LEISURE

#### Tsogo Sun Holdings (Pty) Ltd ("Tsogo Sun")

The financial results for the six months ended 30 September 2010 reflect an improvement in the trading position of the Tsogo Sun Group mainly due to a reduced base in the prior year and the significant impact on trading from the FIFA 2010 Soccer World Cup ("FIFA World Cup") in June and July 2010. Group revenue of R3 156 million (9.7% above the prior period) and EBITDAR of R1 211 million (10.9% above the prior period) was recorded, including the impact of a loss on the translation of foreign monetary items of R5 million.

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

	2010		2009	
	Revenue	EBITDAR	Revenue	EBITDAR
Montecasino	993	339	898	313
Suncoast	607	240	589	242
Other Gaming	588	289	495	250
Tsogo Sun Gaming	2188	868	1 982	805
Southern Sun Hotels : SA	859	309	787	283
Southern Sun Hotels : Offshore	126	34	124	41
Foreign exchange losses	-	(5)	-	(37)
Inter-group elimination	(17)	5	(17)	-
	<b>3 156</b>	<b>1 211</b>	<b>2 876</b>	<b>1 092</b>

### Tsogo Sun Gaming

Despite an improved performance of the Tsogo Sun Gaming division, the gaming industry continues to remain under pressure with low levels of growth in most markets, although not as severe as experienced in the prior period. Total revenue of R2 188 million and EBITDAR of R868 million were achieved in the six months. Gaming win in the Gauteng province grew by 4,1% over the same period last year, whilst Montecasino recorded a 4.5% growth in Gaming win, on the back of the FIFA World Cup and other specific initiatives to attract local customers to the property.

The KZN market recorded subdued growth of 3,3% for the six month period under review, with the Suncoast Casino growing gaming win by 2,9%. The impact of the FIFA World Cup on the Suncoast property did not deliver as much incremental activity as initially expected. Suncoast also experienced severe road access problems on Durban match days.

The Group's other casino interests in Witbank and East London as well as the newly acquired Caledon and Newcastle operations have performed satisfactorily during the period.

### Southern Sun Hotels – South Africa

Hotels South Africa has recorded revenue and EBITDAR growth of 9.1% to R859 million and R309 million for the six months respectively.

This growth was recorded largely on the back of the FIFA World Cup and a reduced base in the prior year. However demand in the Corporate and Government sectors continue to remain weak with the public sector strike in August 2010 also reducing demand.

Pricing has also been reviewed in targeted units in the Garden Court and Stay Easy brands to ensure that room rates are now relevant to the competitive environment with a view to growing occupancies.

Despite tough trading conditions, the market is expected to grow during the second six month period to 31 March 2010.

### Southern Sun Hotels – Offshore

The Hotels Offshore division achieved total revenue of R126 million. EBITDAR of R34 million was some 17% below on the prior period. Rates continue to remain under pressure although occupancies were achieved as forecasted.

### Merger with Gold Reef Resorts ("GRR")

The regulatory process around the merger with GRR continues with the Competition Tribunal hearing set down for early December 2010.

Approvals from the gaming boards have now been received from the Gauteng Gaming Board (subject to the proposed merger being approved by the Competition authorities) and from the Kwa Zulu Natal Gaming Board (which approval is unconditional).

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.

### Vukani Gaming Corporation (Pty) Ltd ("Vukani")

Vukani, the group's limited payout machine operator, has operations in seven previously licenced provinces.

Vukani's installed machine base increased from 3 121 at 31 March 2010 to 3 523, with 402 machines being rolled out during the period under review. Net gaming win increased by 19.6% and EDITDA grew by 35,5% to R41,6 million when compared to the prior period. The EBITDA margin also improved from 24.5%

to 27.7% when compared to the prior comparable period. It is expected that the planned increases to the installed machine base as well as a continued focus on improving GGR will see this trend continue.

## TRANSPORT

### Golden Arrow Bus Services (Pty) Ltd ("GABS")

The business has performed well in the six month period when compared to the prior year. Further to the restructuring of the business post the transition from passenger to kilometer as the basis of the contract with Government and the continued focus on cost containment, in particular maintenance costs following the scrapping of approximately 96 buses, has resulted in increases in EBITDA and headline profits.

The company is committed to upgrading its fleet with a further 42 new buses expected to be introduced in the next six months, which should result in further fuel and maintenance cost savings in future years.

The Integrated Rapid Transport System continues to move ahead and the company will continue to engage the City with its input and participation.

## FOOD AND BEVERAGES

### Clover Industries Limited ("Clover")

The interest in Clover was disposed during the period under review with the group receiving R493 million from the disposal. The group retained the investment in the preference shares of R110 million, following their restructuring.

## MINING

### HCI Khusela Coal (Pty) Ltd ("HKC")

Mining operations are now past the start-up phase at the Palesa mine. EBITDA for the group of R15 million is the first positive contribution in a reporting period and was achieved despite lower than planned sales volumes, the ongoing costs to maintain the Mbali infrastructure and significant legal and consultant fees. Operating costs per ROM ton mined and

processed are reducing with plans to reduce costs further by making additional investments in the washplant and by reducing material movement on the mine. We are also in discussion with the mining contractor regarding their contract and the cost of mining.

While the Eskom contract was concluded for 160 000 tons per month we have not yet supplied at this level. Average coal sales are in the region of 140 000 tons during the period. The lower sales are mainly the result of transport constraints and Eskom being over stocked at power stations supplied to by Palesa. We have reasonable assurance that these constraints are temporary and will be eliminated by the next financial year.

Our dispute with the state-owned mining company, AFEX, is continuing and they have now also sought to challenge the award of our Nokuhle prospecting right. We continue to engage with the DMR and the water authorities to procure outstanding approvals in order to operate the plant at Mbali. The delay in these approvals is most frustrating and is further evidence of the significant and unnecessary difficulties which new entrants in the mining sector face.

## CLOTHING AND TEXTILES

### Seardel Investment Corporation Limited ("Seardel")

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

The efforts of the turnaround are evident in the results for the interim period with Seardel reported an attributable loss of R71 million (2009: R222 million loss), with continuing operations recording a profit of R2.5 million (2009: R10 million loss) and discontinuing operations recording a loss of R74 million (2009: R211 million loss).

We remain hopeful that the turnaround efforts we have been driving at will continue to bear fruit and allow the group to grow profitability from continuing operations. However, the impact of the strong rand and volatile cotton prices remain a challenge.

**ENERGY****Montauk Energy Corporation LLC ("Montauk")**

The financial results of Montauk show an improvement from the prior period. This improvement is mainly attributable to a favorable exchange rate which reduced the level of losses.

Operationally the business is performing poorly with lower than expected gas production at all the key sites. Management have cited exceptionally dry landfill conditions as a significant factor in the lower production but much more needs to be done to analyze well field data and improve well field infrastructure. Newly implemented preventative maintenance systems are improving plant uptime and plant capacities.

The natural gas price has remained depressed and is currently trading in the \$4 range. The disparity to the oil price remains and can be attributed to the oversupply of gas in the USA following technological advancements in the shale gas industry. It is anticipated that this oversupply is likely to persist for the next couple of years. If economic growth is achieved in the US economy, there is confidence that this over supply position will be reversed.

The electricity development pipeline of the business remains robust with an additional acquisition opportunity being considered. Delays in concluding final electricity supply agreements may result in some projects not qualifying for stimulus funding and this may result in their postponement until electricity prices recover.

**VEHICLE COMPONENT MANUFACTURE****Formex Industries (Pty) Ltd ("Formex")**

The recovery in the automotive industry, both locally and internationally, is underway with the company's end customers,

mainly OEM's, having released trading updates which are above expectation. This improved trading environment has filtered through to Formex and monthly turnover is on average above break-even levels.

The lower levels of activity in the prior period and the resultant downsizing of the business caused the loss of experienced staff. The effect of a strike in September put further pressure on operations and negatively affected the business in the reporting period.

As stated in the year-end report, the key to profitability remains improved execution and cost control on the factory floor. The end of the financial year has been set as the target date for steady state operations at acceptable operating margins and progress towards achieving this target is already observed.

HCI had to provide additional funds to the business in order to bridge cash-flow deficits which resulted mainly from low trading volumes in prior periods and working capital requirements.

**EXHIBITIONS AND PROPERTY****Gallagher Estate Holdings Limited ("Gallagher Estates")**

The exhibition business' recovery from the economic downturn has been slower than anticipated which, along with the negative impact of the 2010 FIFA World Cup, resulted in EBITDA being 15% lower than the comparative interim period. The property business was less affected and the lease for the Pan African Parliament was extended for 4 years.

The proposal for the sale of the conferencing business to an independent charitable trust, as a consequence of an order by the Competition Tribunal in 2005, is still under consideration by the Competition Commission.

**CHANGES IN DIRECTORATE**

During the period under review, Mr VE Mphande, who had previously resigned from all executive positions in the group, had been appointed to the board of HCI as a non-executive director with effect from 1 September 2010.

Mr Yunis Shaik has been appointed as lead independent non-executive director with effect from 31 August 2010. He was appointed to the board of HCI as a non-executive director in August 2005.

**DISTRIBUTIONS TO SHAREHOLDERS**

The directors of HCI have resolved to declare ordinary dividend number 42 of 15 cents per HCI share. The last day to trade cum distribution will be Friday 3 December 2010. HCI shares will commence trading ex dividend as from Monday, 6 December 2010 and the record date will be Friday, 10 December 2010. The dividend will be paid on Monday, 13 December 2010. Share certificates may not be dematerialised or rematerialised

between Monday, 6 December 2010 and Friday, 10 December 2010, both days inclusive.

For and behalf of the Board of Directors
















MJA Golding  
Chairman

Cape Town  
19th November 2010



JA Copelyn  
Chief Executive Officer

# BUSINESS SEGMENTS

GAMING, HOTELS AND LEISURE	 <b>TSOGO SUN GROUP</b> Tsogo Investment Holding Company <b>74.7%</b>	 Vukani Gaming Corporation <b>100%</b>	
TRANSPORT	 Golden Arrow Bus Service <b>100%</b>		
MEDIA AND BROADCASTING	 e.tv <b>64%</b>	 Yired <b>64%</b>	 e sat.tv Communications <b>64%</b>
PROPERTY AND EXHIBITIONS	 Gallagher <b>100%</b>		
ENERGY	 Montauk Energy Capital <b>91.5%</b>		
MINING	 HCI Khusele Coal <b>100%</b>		
CLOTHING AND TEXTILE	 <b>SEARDEL</b> INVESTMENT CORPORATION LIMITED Seardel Investment Corporation <b>72.9%</b>		
INDUSTRIAL	 Formex Engineering <b>90%</b>		
SERVICES AND TECHNOLOGY	 Syntell <b>55%</b>	 Business Systems Group (Africa) Business Systems Group (Africa) <b>40%</b>	



