2021
INTEGRATED ANNUAL REPORT

HCI

Hosken Consolidated Investments Limited

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The cloud theme used in this year's Intergrated Annual Report draws inspiration from the last year during Covid times when many businesses and staff have been working remotely using cloud servers in order to continue at an optimum pace.

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SCOPE OF INTEGRATED ANNUAL REPORT

Hosken Consolidated Investments Limited ("HCI", "the Group" or "the Company") is proud to present its Integrated Annual Report for the period 1 April 2020 to 31 March 2021. This report aims to provide a balanced and concise understanding of HCI's underlying investments, how we manage the group from a corporate governance perspective, its social and environmental impact and our financial performance for the year under review. The group strives to be an exemplary corporate citizen and commits itself to the highest standards of corporate governance.

The group operates principally in South Africa, generates most of its revenue from South Africa. The geographical footprint of the group is provided on pages 2 and 3 of the report. The integrated annual report and annual financial statements have been prepared according to International Financial Reporting Standards ("IFRS"), the requirements of the Companies Act, 71 of 2008, as amended ("the Companies Act"), and the Listings Requirements of the JSE.

Other administrative information also forms part of the report and can be found on the inside back cover.

The consolidated financial statements, notice of the annual general meeting and proxy form have been distributed as separate reports.

ABOUT THE INTEGRATED ANNUAL REPORT

BASIS OF CONTENT

The integrated annual report conveys information regarding the group's financial and non-financial performance. It is reflective of the group's commitment to create shareholder value while considering the triple contexts in which companies operate: social, environmental and economic. The content of the integrated report addresses material issues for all our subsidiaries, but does not extend to cover all issues relating to subsidiaries and associates. The scope limitation does not impact on the completeness of the report as separate integrated annual reports for the listed entities are published and can be found on www.deneb.co.za; www.tsogosungaming.com; www.tsogosun.com; www.hplr.co.za and www.emediaholdings.co.za.

In accordance with the stated objectives of integrated reporting, this report focuses on those issues that have a material impact on the group to create and sustain value. This report should be read in conjunction with the following supporting reports available on our website www.hci.co.za;

- Governance register; and
- Annual financial statements

The integrated annual report to stakeholders includes information that the board and management deem to be useful and relevant to stakeholders, and is guided by:

- the company's memorandum of incorporation ("MOI");
- the Companies Act, 71 of 2008, as amended;
- the JSE Listings Requirements; and
- the King Report on Corporate Governance for South Africa 2016 ("King IV™").

EXTERNAL ASSURANCE ON CONTENT

This integrated annual report is the result of combined input from HCI and its subsidiaries on their activities and achievements for the year. The group is continuously improving its combined assurance model. Assurance for elements of this report has been provided through a combination of external and internal sources.

APPROVAL OF THE INTEGRATED ANNUAL REPORT

The integrity of the report is the responsibility of the board of directors. The directors confirm that the report is a fair representation of the integrated performance of the group. The board approved the report for release on 27 July 2021. We believe that this integrated annual report offers stakeholders the necessary information to make considered evaluations about HCI's business activities and performance, and business viability.

ADDITIONAL INFORMATION

A printed copy of the financial statements is available on request from info@hci.co.za. or can be requested from the company secretary, HCI Managerial Services Proprietary Limited, Tel: 021 481 7560.

Our 2021 annual financial statements are available online at www.hci.co.za

FORWARD-LOOKING STATEMENTS

This integrated annual report contains certain forward-looking statements which relate to the financial position and results of the operations of the group. These statements by their nature involve risk and uncertainty as they relate to events and depend on circumstances that may occur in the future. These forward-looking statements have not been reviewed or reported on by the group's external auditor.

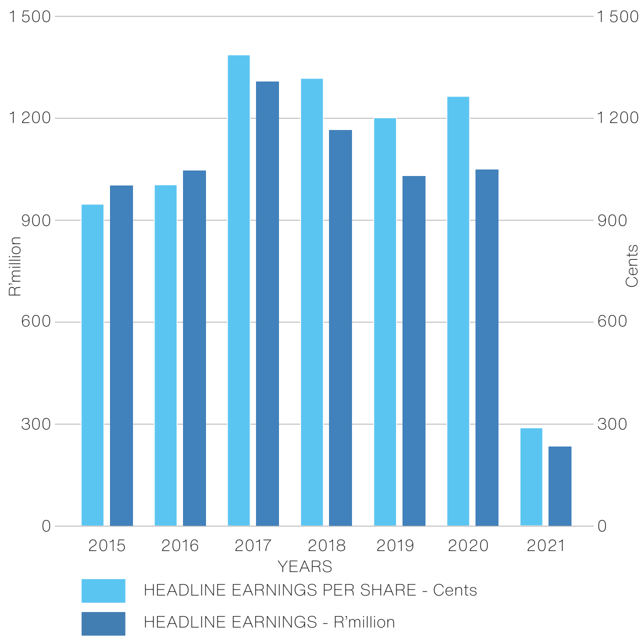
FINANCIAL HIGHLIGHTS

SEVEN YEAR REVIEW

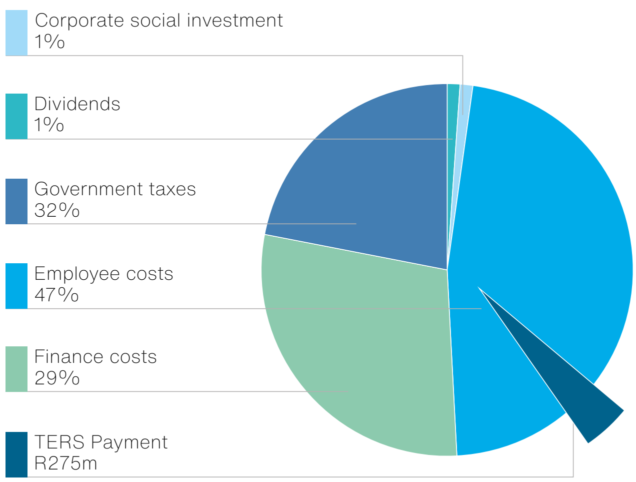
		2015	2016	2017	2018	2019	2020	**2021**
Shares in issue (net of treasury) - at year-end	- million	104 040	104 108	95 336	85 882	84 875	80 870	**80 870**
Share price - high	- cents	18 068	16 460	15 000	16 299	15 650	10 000	**7 250**
- low	- cents	12 999	9500	10 450	11 691	10 206	1 999	**1 600**
- at year-end	- cents	14 500	11 202	14 185	14 400	11 179	2 200	**6 352**
Dividend per share	- cents	165	190	215	240	265	55	**0**
Net asset carrying value per share	- cents	14 390	15 887	17 897	17 785	19 043	15 269	**14 425**
Headline earnings	- million	1 000	1 044	1 306	1 164	1 029	1 047	**233**
Headline earnings per share	- cents	946	1 003	1 385	1 316	1 200	1 263	**288**
Revenue (Including net gaming win)	- million	17 257	21 542	23 116	23 802	25 125	21 159	**14 087**
EBITDA	- million	4 108	5 749	6 535	6 286	6 589	5 590	**3 094**
Profit/(Loss) after tax	- million	4 456	2 122	3 274	1 976	1 664	(7 325)	**(1 512)**
B-BBEE certification	- level	2	3	2	2	2	2	*****

** B-BBEE verification process currently in process*

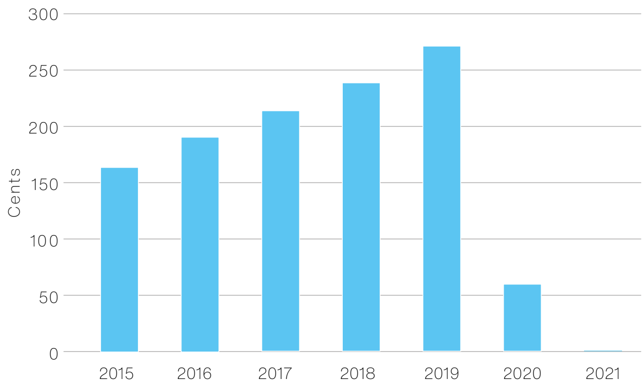
HEADLINE EARNINGS



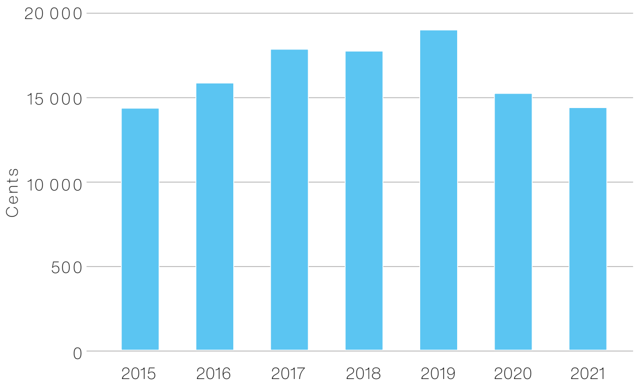
VALUE ADDED STATEMENT 2021 : R6.5bn (2020 : R13.2bn)



DIVIDEND PER SHARE



NET ASSET CARRYING VALUE PER SHARE



JA Copelyn
Chief Executive Officer

My letter to shareholders was finalized prior to the unbearable collapse of law and order in KwaZulu-Natal and parts of Gauteng. The full effect of this disaster will no doubt unfold over the next while. It may well jeopardize the ease of some of the calculations we have relied upon to date, though I do not believe it will affect the ultimate direction of the group. It certainly emphasizes even more the need to remain resilient against such adversity.

We have been put through a terrible test of wills between suicidal forces of anarchy and those who want the country to move forward despite its warts.

Our subsidiaries managed to ward off threats to shops at Shell House in the Johannesburg inner city and our property at Sydney Road in Durban. Likewise all of our shopping centres, hotels and casinos survived intact. We were however unable to save bingo sites in three shopping malls in Pinetown, Empangeni and Orange Farm where the malls were targeted and thoroughly trashed in their entirety.

The madness of this movement is nothing less than a modern day Nongqawuse incident. Whether it has anything to do with assisting former President Zuma or not seems remote though clearly the organizers were not able to get significant numbers of people outside of that base to throw themselves into looting their own futures. Nevertheless the fact that malls, distribution centres and other key infrastructure were systematically set alight after being looted, exposes the hand of an organized force committed to the ruin of the country rather than permitting its reemergence as a modern constitutional democracy. The idea that such an insurrectionist strategy might be employed to obstruct the progress of the government in pursuing criminal claims against those formerly in positions of power who were guilty of gross abuses is unthinkable anywhere but here. How utterly shameful that attempt has been.

HCI remains committed to supporting all efforts by the state to clean up the sordid period we have been dragged through. Re-establishing the rule of law with its punitive power over anti-social and corrupt forces is the political challenge of our country and we will do whatever we can to be supportive of those efforts. As a people we have dislodged those suicidal forces from power. Standing firm in the face of their dying kicks against the re-establishment of law and order by a final abuse of the hardships of the poor, is a must.

Unquestionably the negative effects of this will take quite some time to reverse. Nevertheless one can only hope their failure will allow us to finally shrug off a totally self centred incompetent group of pretenders dressed in the guise of 'liberators' and rededicate ourselves to building a society on solid economic principles that promotes growth and constitutional democracy.

LETTER TO SHAREHOLDERS

Effects of COVID-19 washing through our lives for the last year:

The last twelve months for HCI has been centred on a single focal point, namely avoiding long term damage to our business in a COVID-19 infested world.

We believe we have essentially achieved this to date. Admittedly we had to take several knocks on the chin, including shelving all dividends, freezing bonuses, halting new business acquisitions, cutting costs wherever we could, freezing employment in every subsidiary if not significantly downsizing them as well as restructuring several businesses.

We disposed of a few non-core assets - mainly properties and settled a major dispute to more swiftly recover as great a proportion of amounts due in the legal claim as we could.

Despite the shock and the remaining tenderness around some wounds, our sutures have stopped the bleeding and we are on the mend.

Our efforts to survive intact led us to many compromises, but we doggedly resisted two central themes raised by lenders, namely having a rights issue in HCI or anywhere within the group and allowing pressure to reduce debt to prevail over the need for financial support by three high growth, cash negative, opportunities within the group.

Equally, a year later we can see the positive effects of our success in these areas.

While our competitors in both gaming and hotels had major rights issues and solved their excess debt issues overnight, we are not that far behind them in containing our debt. Equity holders in our group, however, will recover losses in share value a lot more rapidly than in companies that succumbed to pressure to substantially increase the number of shares in issue at the worst moment of their performance. HCI and TSG have tripled in value since then, and even TSH, the hardest hit by the pandemic, has clawed its way back 50% up from its floor price.

We hope our performance will justify this trend continuing this year, culminating in the resumption of a final dividend payment to our patient stake holders.

Equally importantly, we trust this will allow us to move past many of the robust cost saving measures we were forced to introduce to avoid falling over the edge of the cliff. Without the support of Government through its TERS programme these would not have been sufficient to avoid catastrophe. Whatever other criticisms there may be, we do want first and foremost to acknowledge this key support. There are few groups more grateful for it than ours.

There is no duty that an employer owes its employees greater than providing work. The most terrible thing COVID-19 did to our group, with its curfews, social distancing, and inhibition on travel, was to collapse our ability to continue to offer work to thousands of people in a society riddled with unemployment. Even if one was not brought up in Japan, it is the sort of anguish in respect of which one can only bow one's head and apologize to those depending on us that we were unable to protect.

We hope this will soon be behind us and that we will again grow the numbers of people for whom we provide useful stable work.

Nevertheless, the year ahead is a year of vaccine distribution and triumph of life over sickness, despite the fierceness of the storm. It's a year that will let us develop the green shoots we were so careful to nurture through the pandemic.

Debt Management:

We reduced debt at the centre of our holding structure from R3,1b at the beginning of the pandemic to below the R2,8b we promised our lenders.

Fortuitously as we previously reported, we were able to settle a long running dispute with Ithuba for cash during the year which considerably eased pressure on us.

At our financial year end, debt net of free cash was down to R2,56b. In short, we are well on our way to complying with our commitment to reducing debt below R2,5b by December 2021.

In the second half of this financial year, we will hold discussions with debt holders about financial objectives for financial 2023.

While we can say with certainty that we will seek to trim debt further if this is possible without damage to the long-term interests of the business, those discussions will have to consider at least three key issues:

Firstly, the progress in containing the pandemic and the confidence that there is in business returning to "normal". Practically, for HCI, this is conditioned primarily by the answer to the question whether TSG will resume paying a final dividend in June 2022. When all is said and done this remains the life blood of HCI's cash flow.

Secondly, we will be participating in the drilling of a key exploration well in Namibia in the fourth quarter of 2021, and if the results thereof constitute a significant discovery this will have a material influence on the future of HCI.

Thirdly our venture into Palladium mining is reaching a critical point. The feasibility of the prospect is well established; the mining right is issued despite manageable complications. The challenge now is to bring the opportunity to final investment decision ("FID") this year. Success in this regard will take us into quite a lengthy period of construction risk, but inescapably we will have to choose whether to hold on to the significant stake we have accumulated through tough times in a generally unappreciated but very valuable, world class, highly mechanized low-cost mine with a life span of many decades, or to duck away with our capital gains to date.

Businesses that carried the flag through the Pandemic:

We remain a holding group with control of a diverse range of good quality assets in quite different industries. While almost all have been adversely affected by COVID-19 over the last year, several have been sufficiently robust through the pandemic to continue to pay dividends to shareholders. These have as a result been the key to HCI's financial stability through the period.

HCI Coal:

One of the key supports of our business through the pandemic has been our coal division. It contributed R180m to the group during the year and continues to be a strong cash producer. We have successfully simplified its operations by the sale of Mbali colliery virtually at the end of its life of mine. Essentially it is a sale of the wash plant which is clearly more useful to the purchaser than to us. The increase in the price of export coal did however allow us to squeeze significantly more value from the mine than we had budgeted, and the sale offered a far simpler exit than we had planned.

Effectively our division is now limited to the Palesa colliery. This is a mine producing solely for Eskom under contract. While it remains with a secure contract for a few years more, its longer-term future rather depends on efforts being made to revitalize that SOE.

The past year has been difficult for us in this regard and Eskom no doubt has had to remedy very serious and intractable issues which led it to constrict the amount of coal it was able to take from us. Nevertheless, it seems to be making headway and we have every expectation our cooperation with Eskom will improve over the coming year rather than stagnate. We remain a relatively cheap, reliable, B-BBEE supplier. As Eskom streamlines its offtake requirements, and rids itself of the endless bribery that has characterized control of important parts of its supply chain, as it is patently doing, we believe the biggest challenge the business faces will resolve itself, namely the stability of Eskom's ability to take the volume of coal set out in our contract.

eMedia Holdings:

This business is at the eye of the storm around Government's digital migration efforts. Essentially it is now about sixteen years since South Africa undertook to clear various parts of the radio frequency spectrum licensed to eTV, for the exclusive use of transmission of mobile data.

What ought to have happened is that households should have been converted to receiving television on cheap digital distribution platforms. Instead, government tried to insist solely on a terrestrial platform ("DTT") operated by Sentech which is wholly inadequate to the task. Worse, government efforts to distribute boxes required for converting homes to this platform failed to ever take off. Even today fewer than 4% of television households currently access DTT. Distribution of boxes, supposedly through the Post Office, never started and government policy has apparently now changed to avoid it being responsible for such box distribution, leaving no one else responsible for doing so.

Over the last few years any progress in relation to digital migration has ground to a complete standstill in a world with an endless succession of Ministers of Communication. All efforts we made to engage with the government and the regulator, ICASA, failed to produce a single meeting and all correspondence was essentially ignored.

Some 60% of our audience remains on analogue. A further 26% has digital access only through DSTV. This is of course not access to free television. Failure to pay one's subscription for pay television results in all channels including free channels being switched off. 16% now has access through our Open View satellite platform. We have spent some seven years building this platform at enormous cost, outside of any arrangements with the state and other broadcasters.

This year's SONA address by the President claimed broadcasters had agreed with the State to definite switch off dates in various areas that would clear the spectrum needed by mobile operators across the whole country within a year. ICASA followed through by announcing an auction for the spectrum and soliciting bids therefor from mobile telephone operators. ICASA reserved no spectrum for 5G broadcasting even though the ITU is far advanced in developing a standard for 5G-FeMBMS broadcasting and is expected to finalize this standard next year.

The consequence of this complete anarchy is that we were obliged to ask for an interdict restraining the auction which was duly granted pending a judicial review of the matter.

The frightening thing about this fiasco is that it appears the state has no understanding that its conduct, if not restrained, would mean the death of free television.

It remains a highly contested area subject to litigation, but we are determined to have it resolved in a manner where our economic interests are considered as well as the right of the public to access free television.

With this backdrop one may well be forgiven for reading the rest of this comment on our media group in line with the satirical comment: "Other than that, how was the play Mrs. Lincoln?".

Nevertheless, this year was a spectacular success for eMedia in a truly difficult environment.

Television advertising in the country shrank miserably

(-18%) given the various lockdowns and especially in response to the bans on the sale of alcohol.

Our advertising revenue was notably less reduced (-7%). Essentially the reason for this is that our market share has grown over the last few years and especially this last year. At our lowest point in about 2015 we had shrunk to an audience share of around 13,5%.

While traditionally eMedia has had around half the audience share of the SABC this has changed considerably over the last few years. In April this year for the first time the combined eMedia group all adult 24-hour audience share reached 32,44%, a nose ahead of the combined SABC channels (30,94%) and DSTV (30,42%). This is partly the consequence of our decision to invest in Open View these last several years but equally it has been the result of more popular programming on eTV. Our share of LSM 8-9 audience at 25,6% is now a good stretch ahead of the SABC's 19%, though still a fair margin away from DSTV's 37,5%. Likewise, our eExtra channel now attracts a prime-time audience almost double that of SABC 3. The group turned around its R15m loss for the first half of the year to close with PAT of some R134m for the full year, a truly remarkable achievement.

Hosken Passenger Logistics and Rail:

The company is slowly regaining the number of passengers it carried pre-COVID-19. By year end this had increased to around 70% of previous passenger levels. The company has made great efforts to trim its costs and retain as much of its profitability as possible despite its reduced turnover. It succeeded in achieving PAT of about R203m, some 78% of the previous year which by any standards is an exceptional achievement. It was in addition a significant contributor to our cash flow, releasing dividends to us of some R114m through the year.

The dispute over the unions' attempt to cling on to percentage across the board wage increases for workers earning significant premiums to the agreed minima persists for yet another year but unquestionably we are making progress in compelling an understanding that this is a fundamental issue for the company on which we cannot afford to compromise.

That resolve on our side is only strengthened by a decision in the Competition Tribunal which seeks to suggest the subsidizing of the bus sector but not the taxi industry is unfair. It seems utterly indifferent to the cost of labour in a formally regulated sector relative to that applicable in one which pays no overtime, standing time, bonuses, paid leave, pension benefits, sick pay, and the like (not to mention taxes on profits).

We are currently in negotiations with the unions aimed at agreeing a way out of this impasse but to date we have not yet found each other. Likewise, we continue to make representations to the Department of Transport and Treasury about the differences between formal industries and informal ones including the enormity of the escalation in the cost of transport to the passengers and/or the state if the current framework is allowed to disintegrate.

Bottom line of these pressures however is that we cannot survive in the long term with a cost structure based on the accumulated historic premium to our competitors of close to 40% and, come what may, the difficulties this represents must be resolved.

On the developmental side, the company is currently doing a trial with two electric buses to see whether we can effectively use same in our regular services and thereby substantially reduce our level of carbon emissions. If this is practicable it is our intention to slowly replace diesel powered buses with electric vehicles.

Manufacturing and Distribution:

Deneb has demonstrated good resilience through the pandemic. The benefits of its efforts over several years to contain its debt and to release assets and cash from businesses that were struggling, proved central to its success last year. Likewise, its discipline in carving out profitable areas of business to pursue and shedding those businesses that were marginal or loss making prior to COVID-19 pressures could hardly have been completed more timeously.

Its property portfolio has been very stable through the pandemic. It is an industrial portfolio of long established but well-maintained premises leased out at prices well below those obtainable from new builds. It suffered little pressure for rent relief and vacancies remained at a low level throughout the last year.

As a result, its ability to service its debt has not been under any unusual pressure. On the contrary it succeeded in reducing same by some R200m for the second consecutive year.

Its loss-making businesses have largely been sold off now and the two that remain have every prospect of turning around this coming year.

The business was very tightly managed through the pandemic. Unavoidably, turnover was reduced. Nevertheless, several of its businesses managed to improve their bottom line despite this. Toys turned a loss of R9m last year into an R18m profit on turnover reduced by some 35%. Brits Non-Woven, Integrated Polypropylene ("IPP") and Premier likewise had greatly improved results.

Formex was badly affected by the reduction in car sales all over the world and the consequent reduction in car manufacture by motor assemblers. It has however picked up a strong flow of orders which will significantly increase its production over the next five to seven years and we remain very buoyant on its future.

Encouragingly for the future of Deneb is the fact that this year's results include some R48m of losses associated primarily with the restructuring costs of closing the Jacobs plant of Gold Reef, the contraction of Romatex Home Textiles into Cape Town as well a substantial loss in Seartec, all of which are not anticipated to be repeated going forward. On the other hand, they also include substantial savings of interest expenses on the reduced level of debt which will persist into the future.

Overall Deneb recorded a comprehensive profit of some R134m which is a very substantial turn-around from last year's R124m loss. Last year's results included losses of R127m from discontinued businesses. This year its losses from such operations were contained to R5m demonstrating both the dramatic curtailment of its exposure to loss-making businesses as well as the improvement of its continuing operations.

The company paid dividends of R15m to HCI during the year to March 2021 and a final dividend of some R26m to us after year end. We hope this will strengthen going forward.

Karoshoek:

Karoshoek continues to operate efficiently and within the framework of the model. It passed the important milestone of its Long-Term Performance Test, operating at 97% of capacity for the year ending March 2021. Its revenue was likewise at 98% of that modelled and it is paying out dividends of around R39m a year, in line with our hopes and expectations. By all measures this has been a very successful project and ought to provide the group with strong and growing cash flows for many years to come.

Businesses that have struggled under COVID-19 conditions:

Some of our subsidiaries, particularly those which involved large property developments, accumulated fairly high levels of their own debt. The possibility of their revenue being seriously inhibited was generally not anticipated either by themselves or their financiers beyond provision for insurance against business interruption.

The scale and duration of this interruption and the invariable reluctance of insurers to meet COVID-19 claims by their customers, placed these businesses in the same stressed position in which HCI found itself, where they were obliged by their debt holders to stop all dividends and focus all their energies on servicing their own debt.

We evaluate the progress of these businesses through the pandemic firstly by whether they are forced to do anything value destructive to the long-term interests of shareholders in meeting their commitments to debt holders. Our expectation of ourselves is that we run our businesses in a manner where they can survive great storms. Unquestionably this has been a major test of that assumption.

Secondly, we focus on when they might reasonably and prudently be expected to resume dividend payments to HCI.

Gaming (Tsogo Sun Gaming):

The key to HCI's past has been its ability to build new businesses from the cash it earned from existing businesses. Front and centre of that strategy has been a reliance on the cash dividended to us from our gaming operations. Surviving the two-year hiatus that COVID-19 appears to be imposing on such dividends has been the central challenge HCI has had to weather.

TSG entered COVID-19 with R11,4b in debt. The initial three months total lockdown set it back a further R700m. Since then, it has paid down R1,2b in nine months from operating income, aside from servicing interest on its debt. Repeating that performance during the first half of FY 2022 should allow all to feel comfortable that it is well on the way to resuming dividends.

Equally importantly however, has been for it to restructure its business for the long term and to regain the EBITDA margin it had allowed to be eroded for many years. It is with real appreciation we congratulate management on its efforts in this regard. There has been a restructure of costs and services in every business it operates, from the theme park at Gold Reef through the operational structure of every casino as well as the overhead of its corporate services.

TSG will be a stronger, more driven business for many years as a result of these efforts. Together with a reduced normalized debt it will allow TSG to resume its pivotal role in our holding company sooner rather than later.

Hotels (Tsogo Sun Hotels):

International tourism and interprovincial domestic travel have been decimated by COVID-19 and are unlikely to recover fully until vaccines have been effectively distributed to large numbers of people in the country.

Nevertheless, TSH has managed to reduce its cash losses to a relatively small number monthly on the current level of travel and our hope is there will still be a sufficient growth in the number of people staying in hotels to stop even this over the next few months.

We chose to dispose of our stake in the luxury 30 suite Maia hotel rather than have a rights issue to meet the pressures of cash losses in the business. Happily, we succeeded in doing so at a relatively full value and the proceeds of this sale have been as great as all cash losses to date. The business is not expected to lose a significant amount of cash in the year ahead unless a sustained third wave sets the process of domestic travel slowly returning awry again. At some point we hope TSH will also succeed in recovering a contribution from its business interruption insurance claims.

We took the opportunity to collapse the Hospitality Property Fund back into the management company in a share swap and accordingly TSH now owns the properties it manages and more in their entirety. This has simplified the business considerably. It both strengthens its balance sheet immediately and will in due course considerably strengthen its income statement once the business is again on its feet. Like our gaming operations, the hotel business has taken a great many steps to tighten its control over overheads and lighten its operating expenses. In due course these will be significant in its performance once the disruption of the pandemic retreats.

We do believe the business will again become cash positive during the next few months and avoid any long-term damage to its future. It is, however, too soon to predict when it will be sufficiently back on track to resume paying dividends.

Properties:

Our property division is a diverse portfolio of rented premises, primarily acquired and developed over the last six years. These acquisitions and developments were heavily funded by debt, often accompanied by shareholder guarantees from HCI.

Like gaming this division had a great setback in the initial total lockdown period of the first three months of the pandemic. Whilst it has not yet recovered totally, its tenants in all sectors of its property holdings are again paying their rental and vacancies are slowly declining to a near normal pre-COVID-19 level.

Debt in each property has been carefully assessed and restructured to ensure the level of revenue from the building is sufficient to service its debt.

We exited The Fulcrum in Sea Point when the city refused it permission to increase its height restrictions. Whilst this involved a substantial loss to the division it seemed preferable to leave rather than starting afresh with new plans purporting merely to reduce that loss conditional on us investing further in the property.

We have taken the opportunity to buy back stakes held by minorities in affected properties where they wanted to leave, at prices we believe to be value enhancing in the medium term.

We have also sold some properties at fair prices where there has been real buyer interest and they were not core to the division.

While we have greatly constricted development, we have nevertheless built an office block for the Dentsu head office, completed the construction of two houses on the property at Steenberg and are in the final stages of completing a building in Paarl for rental to Food Lovers Market.

The net effect of all this activity is that we have reduced HCI shareholder guarantees in respect of properties from a total of R1.2b to R976m during the year. Debt on properties has been reduced from R2,3b to R2,2b despite new builds at Dentsu and Paarl. Vacancies and ongoing rent relief are now approximately 5% of potential revenue.

Profitability of the division was adversely affected by the write down of property values which seems prudent to us, and the losses associated with the Fulcrum.

Our intention in this division is to focus on limiting HCI guarantees for its debt until our bankers are satisfied to regard it as a free-standing division with its own balance sheet.

Growth Opportunities:

Impact Oil and Gas ("IOG"):

As the years go by with no clarity on the legal rights of explorers in South Africa, the size of the state carry, the degree of accommodation of BEE required, royalties claimable and the tax structure of production right holders there has been a growing disillusion with prospecting for oil and gas in South Africa.

Disappointingly several companies with capacity to responsibly drill deep sea wells have abandoned blocks in our waters. ExxonMobil, Equinor, BHP, Cairn, Cosmos and Anadarko are amongst the departees. Worryingly ENI has now resigned from Opasa which may well be a sign of its imminent departure.

While there is a growing clamour against fossil fuels across many developed countries, the truth about the South African economy is its electric grid is still overwhelmingly dependent on coal fired power stations. It has no prospects in the medium term of generating base electricity from any source other than fossil fuels. It should in our opinion aim to replace coal fired power stations with gas ones and focus its efforts on technologies around carbon capture and storage rather than exclusively on wind and solar solutions to limit greenhouse gases. Not only is gas significantly less polluting than coal but gas power plants are also by their nature "peaking" plants. Unlike coal fired plants they can be turned on and off as the surplus or shortage of electricity generated from other energy sources waxes and wanes on any day. It is a flexibility fundamental to the stable operation of the grid where solar and wind generated power vary considerably from day to day. This will remain so until we can store electricity for very much longer than is currently practicable.

One can only hope that there will be a greater drive by the department to get the long-promised bill enacted this year. Failure to do so is going to accelerate the pace at which global companies vote with their feet and our country will unquestionably be the worse for it.

Nevertheless, even black clouds have their silver linings. Last year we reported ExxonMobil and Equinor abandoned our joint block in the Transkei and left it to us with sole responsibility to meet an expensive seismic obligation to enter the next phase. Notwithstanding the capital constraints imposed on us, we took the risk of IOG committing resources to this block and we advanced its exploration to the next phase on our own. IOG spent the year modeling the prospectivity of various parts of the block and attempting to attract a new supermajor to farm in. We are pleased to report we have succeeded in getting Shell Petroleum to join us as operator. We are currently in the process of jointly farming down to accommodate an additional partner. The net effect of these new arrangements will hopefully be that we are left with a 30-35% stake in the block, largely carried for both the seismic study and an exploration well, with partners committed to commissioning the seismic study at which previous partners baulked.

We have in addition acquired a 90% interest in the neighbouring block known as Area 2. We see this as being a block which is as prospective as the Transkei block and in many ways an extension of that opportunity.

Despite the optimism of our last report that the Venus exploration well in our Namibian block would be drilled by Total this was not done and was deferred to late winter this year. It remains a key determinant of our exploration efforts for the next few years.

Total did however drill a second well in block 11B/12B greatly extending the Brulpadda discovery the previous year. We have taken the opportunity to swap our loan structure funding a portion of this block for a 36,5% stake in a Stockholm listed company, African Energy ("AEC") which holds an effective 9,5% economic interest in the block. Currently this trades at a value some 2.5 x the amount we invested in the block.

Platinum Group Metals ("PTM"):

As indicated last year we participated in a US$15m rights issue in this company to avoid being diluted at what we felt was a low value. The share subsequently more than doubled and we took the opportunity to dispose of some stock at that price, effectively minimising our dilution. We currently hold 21,3m PTM shares and have paid a net amount of US$1,25 a share for them.

The mining license for the Waterberg project was eventually issued in April 2021. An appeal has been lodged by three individuals purportedly on behalf of the community. We see little prospect of this unrepresentative group holding back progress of the mine for long and the company is hard at work trying to move the project towards final investment decision later in the year.

This remains an exciting opportunity that should still grow significantly in value and make a good contribution to creating skilled jobs in a very marginalized area of the country. HCI is positioned as the largest single shareholder of the company and currently holds 28,7% of its shares.

The company also has a 52% stake in a joint venture company with Anglo Platinum known as Lion Battery Technologies. It arises out of a collaboration with the Chemical Engineering Department of Florida International University in Miami who for some time has been developing research and expertise focused on enhancing battery technology and increasing its effectiveness through the introduction of PGMs as catalysts. Key targets in the project are to increase battery life by increasing the number of recharge cycles before the battery is ineffective and to decrease the battery weight per Watt hour and thereby the cost of the battery. This project remains at an early stage, but it has met milestones to date which include two U.S. patents with a third currently being applied for. It appears to the JV to have great potential to make a significant contribution both to enhancing battery technology and extending demand for palladium in electric car vehicles. It is being pursued more urgently through its next phase and to this end the JV has agreed to increase funding to enhance the speed of its research work over the next twelve months.

Alphawave:

This is a far smaller business than the previous two growth opportunities mentioned and our 42% stake therein was acquired from Niveus.

It is a technology business which has developed both the software and hardware to track the flight of golf balls hit on a driving range. It has also designed various games for people to play which depend on such tracking. It has installations operating on eight such ranges, is currently installing the system on a further eight and has a pipeline of plans which should allow it to continue rolling out the product on more and more driving ranges in several different countries.

Since the company operates in the entertainment space it has of course been hard hit by COVID-19 which has variously closed ranges temporarily or restricted their use. Nevertheless, our hope is the company will emerge over the next year or two as a profitable growing entity with a world-wide customer base in a very popular sport. We have invested R70m in the venture to date and anticipate we are more than two thirds of the way to it becoming self-sustainable.

Foundation:

The budget of our Foundation was inevitably reduced to around R30m for the last year, given the dramatic collapse of the value of its shareholding in HPF. While it had been hoped holding into a REIT with strong pretax distributions would be an ideal asset class for a PBO, the pandemic put paid to any hopes it may have had to receiving such income. Fortunately, the rest of its balance sheet remained sufficiently robust to be able to continue its work despite the reduced cash at its disposal. Two senior members of staff retired which eased the pressure on the Foundation's overhead. Those remaining have stepped up ably to manage its work. As a result, it has more than held its own with its reduced budget.

In the education and training space, the Foundation shifted its support away from undergraduate studies which the state undertook to fund through NSFAS, and offered bursaries and mentoring support to about 200 students, the majority of whom are enrolled in honours and postgraduate diploma programmes which do not get state funding. It has also continued its efforts with programmes focused on early childhood learning.

The philanthropic sector in general has been squeezed mercilessly by the twin pressures of COVID-19 which have simultaneously restricted its financial capacity while greatly exacerbating the need for social support.

This has created enormous pressure on NGOs to combine their efforts in tackling problems. The Foundation has played a catalytic role in encouraging such partnerships for several years, but its ability to draw such organizations closer to each other in meeting the challenges of the pandemic has seemed more important than ever over the last year. Unquestionably, our ability to extend the reach and deepen the impact of our Foundation's work during this difficult period, particularly in areas of education, food security, skills development, as well as the provision of psycho-social support, has been facilitated by our close collaboration with a wide range of NGOs throughout South Africa's urban and rural landscape. We supported the programmes of some 65 NGOs which sought to address the most pressing challenges faced by our country and tried to ensure that those in need continued to receive support services during the COVID-19 pandemic.

Last year, we reported on our successful campaign, run together with eMedia, to raise money for the distribution of food parcels in the period of the first total lockdown. The public donations raised allowed us all to deliver a key service we could never have achieved from our own funds. The coordination in the distribution of the food parcels was an excellent example of what can be achieved when partner NGOs work closely together.

Subsequently, we have identified the area of sustainable food growth as a major additional focus for our Foundation, one which asserted itself with some urgency during this COVID-19 year when the number of jobs in society have contracted so severely. We hope this will emerge as a significant space for the Foundation to bring together other NGOs with similar interests and skill sets and to set collaborative goals to ensure the successful implementation of the programme.

Sad demise of some key HCI personalities:

The last year has seen two former members of our board pass away. The first was Amon Ntuli who served on our board for several years before taking up a fulltime post as an executive director of Deneb. He was a life-long member of the board of trustees of the HCI Foundation. He was likewise a founding director of the Sactwu Investment Company in 1992 and a National President of that union. Even more, he was an inspirational colleague and friend for more than four decades and he will be missed in the future for a very long time.

A second person who sadly passed away last year is Mohamed "Mac" Gani. He was a partner at PwC for many years and joined both the boards of Tsogo and HCI as in independent non-executive after his retirement. He was the chairperson of the audit committee of our board and was an exceptionally diligent and supportive member of the board. It was an honour to have attracted a person of his calibre to work with us and to strengthen the independence of the audit committee.

We have succeeded in persuading Mohamed Ahmed to join our board and take on the role of head of the audit committee in his place. Mohamed likewise has a long connection with HCI and was in fact its first CFO after our reverse listing into the company in 1997. We are indeed fortunate to have someone of his calibre to fill the shoes of his predecessor.

More recently we have had another key member of our team pass away after a short illness - Russell Jackson. Russell was the CEO of our coal division as well as member of the board of both our Property division and the Waterberg Project through which we hope to participate in the development of a palladium mine. He was a wise "old soul". A person of great empathy and integrity who found his way to a close working relationship with anyone in his vicinity who ever wanted to build anything anywhere. He had decades of invaluable experience, having been part of the JCI team for years before it was even unbundled by Anglo-American. His pivotal roles in developing Steenberg Estate, Dainfern and many other properties as well as pulling together a bid that was ultimately merged into the development of the Sun Coast Casino were incredibly valuable contributions but his work rarely brought him into the public limelight. Perhaps it is because of his small ego and low profile that he achieved the status of an unsung hero to all who had the pleasure of working with him or tapping his vast knowledge and insight for help and guidance. It is simply irreplaceable.

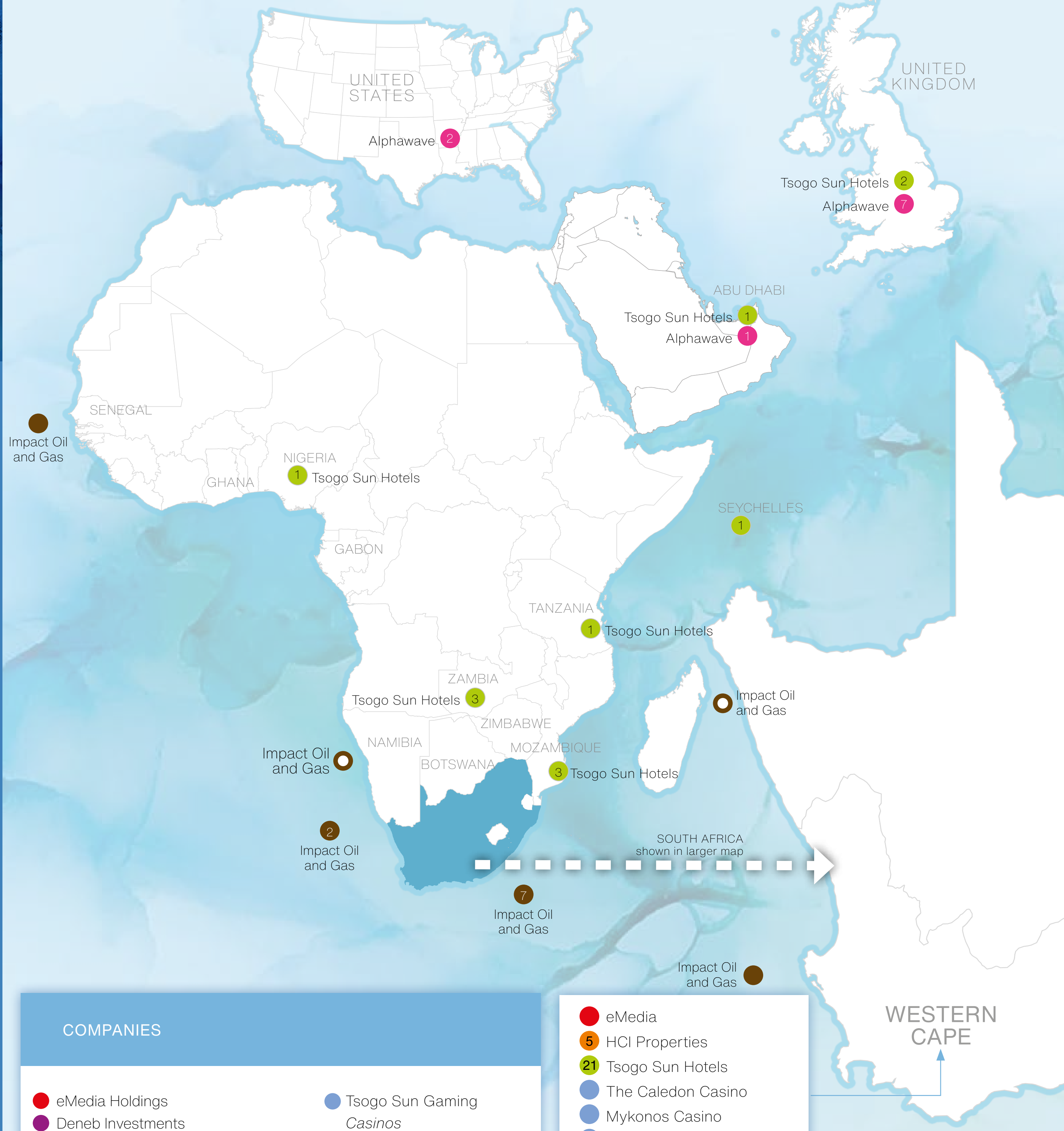
We do hope though that the management of the coal division itself will not be heavily disrupted as Russell spent a lot of time ensuring his succession would be a smooth one and we have great confidence that Aadil Nakooda and Pieter Terblanche will carry the flag forward with confidence.

Hamba Kahle to them all.

John Copelyn
Chief Executive Officer Cape Town

GEOGRAPHICAL FOOTPRINT

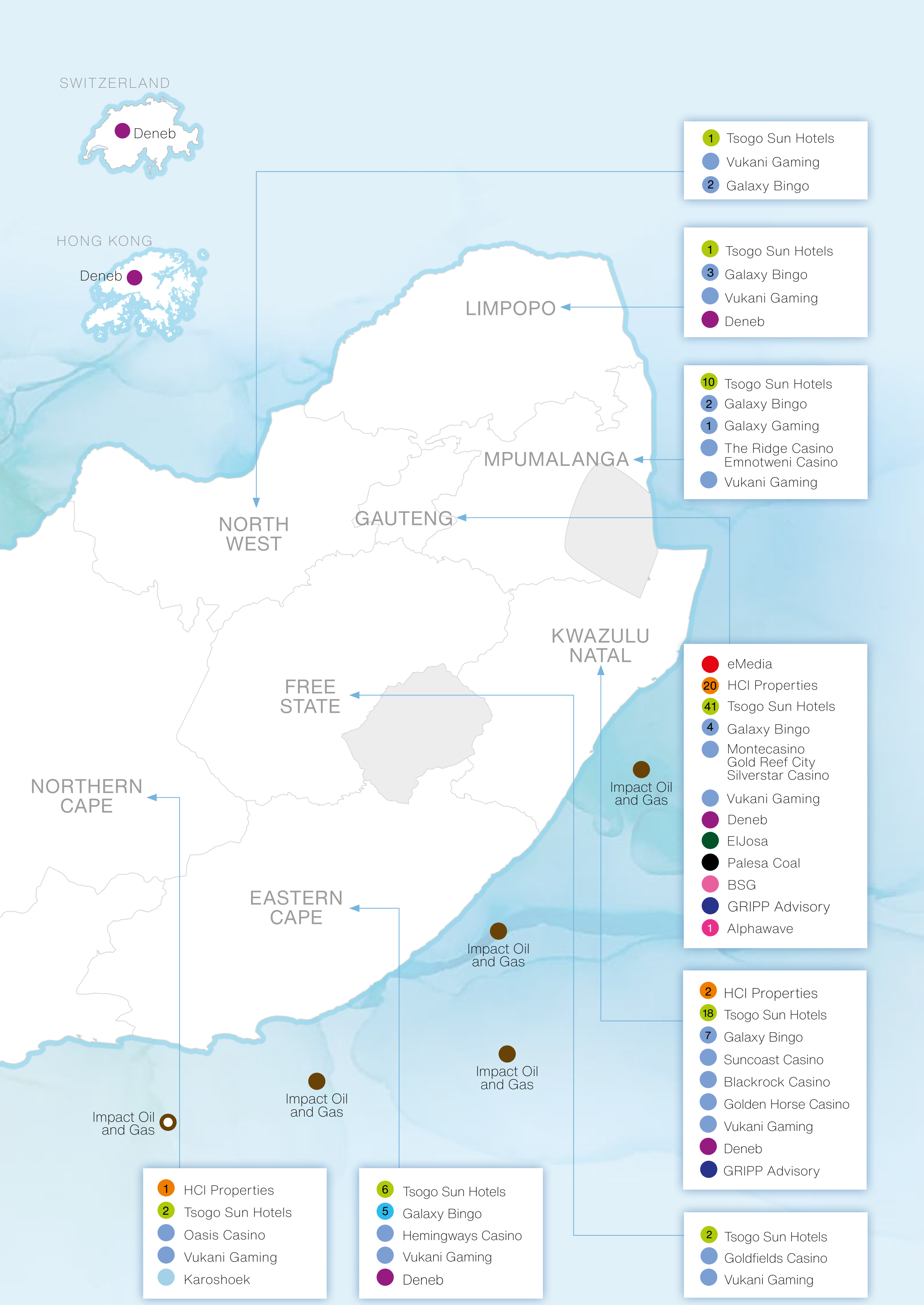
AS AT 27 JULY 2021



COMPANIES

- eMedia Holdings
- Deneb Investments
- Hosken Passenger Logistics and Rail
- HCI Coal
- HCI Properties
- Business Systems Group (Africa)
- Tsogo Sun Hotels
- Karoshoek
- La Concorde
- GRIPP Advisory
- Alphawave
- Tsogo Sun Gaming
  - *Casinos*
  - *Galaxy Bingo*
  - *Galaxy Gaming*
  - *Vukani Gaming*
- Impact Oil and Gas
  - *Indirect Interest through 37% ownership in Africa Energy Corp*

- eMedia
- 5 HCI Properties
- 21 Tsogo Sun Hotels
- The Caledon Casino
- Mykonos Casino
- Garden Route Casino
- Vukani Gaming
- Deneb
- Golden Arrow Bus Services
- ElJosa
- BSG
- GRIPP Advisory
- 2 Alphawave
- La Concorde


SWITZERLAND
Deneb
HONG KONG
Deneb
1 Tsogo Sun Hotels
Vukani Gaming
2 Galaxy Bingo
1 Tsogo Sun Hotels
3 Galaxy Bingo
Vukani Gaming
Deneb
LIMPOPO
10 Tsogo Sun Hotels
2 Galaxy Bingo
1 Galaxy Gaming
The Ridge Casino
Emnotweni Casino
Vukani Gaming
MPUMALANGA
NORTH WEST
GAUTENG
eMedia
20 HCI Properties
41 Tsogo Sun Hotels
4 Galaxy Bingo
Montecasino
Gold Reef City
Silverstar Casino
Vukani Gaming
Deneb
ElJosa
Palesa Coal
BSG
GRIPP Advisory
1 Alphawave
KWAZULU NATAL
FREE STATE
NORTHERN CAPE
EASTERN CAPE
Impact Oil and Gas
Impact Oil and Gas
Impact Oil and Gas
Impact Oil and Gas
Impact Oil and Gas
2 HCI Properties
18 Tsogo Sun Hotels
7 Galaxy Bingo
Suncoast Casino
Blackrock Casino
Golden Horse Casino
Vukani Gaming
Deneb
GRIPP Advisory
1 HCI Properties
2 Tsogo Sun Hotels
Oasis Casino
Vukani Gaming
Karoshoek
6 Tsogo Sun Hotels
5 Galaxy Bingo
Hemingways Casino
Vukani Gaming
Deneb
2 Tsogo Sun Hotels
Goldfields Casino
Vukani Gaming

OPERATING STRUCTURE

AS AT 27 JULY 2021

LISTED COMPANIES

TSOGO SUN HOTELS 40.5%**

HPL&R Hosken Passenger Logistics & Rail 82.2%

TSOGO SUN GAMING 49.7%

DENEB INVESTMENTS LIMITED 85.5%

eMEDIA HOLDINGS 80.3%

PLATINUM GROUP METALS 28.7%

Name of company	No of shares held by HCI and its subsidiaries
Hosken Passenger Logistics and Rail Limited	239 096 568
eMedia Holdings Limited	355 816 436
Tsogo Sun Hotels Limited **	597 823 375
Tsogo Sun Gaming Limited	520 114 404
Deneb Investments Limited	371 776 214
Platinum Group Metals Limited	21 297 526
Montauk Renewables Incorporated	670 588
Africa Energy Corporation *	509 092 771

* As held by Impact Oil and Gas Limited

** Includes 54 675 666 shares held by the HCI Foundation

UNLISTED COMPANIES

HCI Coal
100%

GRiPP ADVISORY
75%

HCI Properties
(Division)
100%

bsg
40%

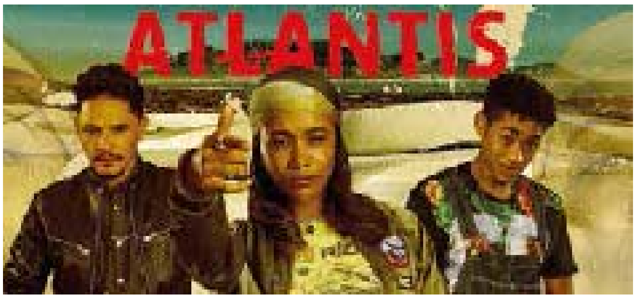
KAROSHOEK
10%

alphawave
42.3%

Impact Oil & Gas
49.2%

LA CONCORDE
89%

OPERATIONAL OVERVIEW



eMEDIA HOLDINGS LIMITED

www.emediaholdings.co.za

The eMedia Group has had a relatively good year given the very tough economic climate brought upon the world by the COVID-19 pandemic. The table below shows the salient numbers for the group: (*prior year restated for discontinued operations)

	2021 (R'm)	2020* (R'm)
Advertising revenue	1 613.1	1 735.5
Adjusted profit from continuing operations	138.5	241.6
EBITDA	303.0	428.0
Headline earnings	72.8	147.8

As can be seen from the above table the pandemic hit all revenue streams which impacted the group mostly in the first part of the financial year, that is when lockdown levels were at their highest and all economic activity came to a standstill. This saw the total television advertising market declining by 15.7% whereas the group declined by 7% thereby doing considerably better than the market.

Business has evolved over time from a one-channel business to a 10-channel business and has truly become a bouquet of offerings best understood in the following categories:

Content – entertainment channels:

Under this sector, the group now has eight well-entrenched entertainment channels, namely e.tv, eExtra, eMovies, eMovies Extra, eToonz, eReality, eRewind and eAfrica.

The highlight of these channels includes:

- The eMedia Group share in prime time has increased from 24.6% in March 2020 to 29.6% in March 2021 an increase of 20.33%. This is on the back of the e.tv prime time share increasing from 17.4% to 20.3% at the end of the period, with the local daily soaps which have held their ground. Durban General, the new daily soap was launched in October in the 18:30 timeslot and its first six months has already achieved a 6AR average. e.tv is also looking forward to introducing a brand new daily soap towards the end of the new financial year. Watch the press for details;
- eExtra, eMovie and eMovie Extra are consistently in the top five of the country's satellite channels with eExtra now commanding a share in prime time of 4.3%. These rankings assist the group in providing four of the top 10 satellite channels in the country consistently; and
- The search for more channels continues on a daily basis. Although there are many on offer, it is only those that are discerning in their content and commercially-viable that will be considered.

Content – news and sport:

- As is well-known, the group's news offering, eNCA is arguably the best, but certainly the most-watched news channel in South Africa;
- eNCA is exclusive to DStv and is such the leading channel in the LSM 8-10 category. It is the preferred choice of "decision-makers" and is recognised as a leading news brand. The presenter line-up, the format and the content are constantly managed so as to make eNCA as relevant as possible;
- As it is with most news channels around the world, there are opinions both ways about eNCA. eNCA works hard to find the balance and in doing so relies on the maxim that alludes to the following, "we should always be the subject of dinnertime discussions, good or bad – it is when the talking stops that we should be concerned";
- The news and sports channel which was launched in the previous fiscal continues to provide the openview viewer with premium sports, which includes a live EPL and La Liga football match over the weekends. Venturing into live sport is new to the group and has worked out successfully. More live sport fixtures are being sourced and will be introduced in the near future; and

- This sport is housed in what is the group's second news channel which has a 4-hour live news telecast from Cape Town on the Openview platform. This news broadcast facility is also responsible for the news on the e.tv analogue transmission. The main 8pm news on e.tv is live from this facility in Cape Town, and is the most-watched news in English in South Africa.

Platforms – Openview/ Openview Connect/ eVOD:

- Openview, eMedia's free-to-air satellite offering is now in nearly 2.5 million homes. The sales of Openview decoders is consistently at an average of one thousand a day. This was impacted negatively by the first part of the lockdown, but has now recovered to its previous daily averages. Although the rand/dollar exchange rate impacted on the price of the decoder, the daily sales numbers have been resilient, and are slightly better than at the old price;
- The rental deal struck with the SABC towards the end of the fiscal whereby 19 radio channels and 3 entertainment channels will be launched as also seen as uptick in box activations. This speaks directly to the fact that the content is received well and that South Africans are warming up to the offering. The group expects to be at three million boxes by March 2022;
- Openview Connect launched towards the end of the fiscal and is yet another value add for the openview customer. It will allow the openview home access to the internet without the need for fiber in a country where only 7% of homes have been connected to fiber thus far; and
- eVOD – In November 2020 the group embarked on the creation of a further platform that catapults the business firmly into the future with the imminent launch of eVOD, the group's OTT service. All of eMedia's library and future content will be available the OTT service. Two revenue streams will accrue to the group, advertising revenue for library content and subscription revenue for fresh content.

There are other ground endeavours in the technology space that are in focus and are receiving daily attention from the most senior persons in the group. In due course, more will be revealed on the projects on hand.

Subsidiaries:

Most of the group's subsidiaries which include Moonlighting, Media Film Services and The Refinery Cape Town have survived the ban on international travel during the lockdown and are now all increasingly recovering to pre COVID-19 activity.

In conclusion, the eMedia Holdings business is ecstatic that it survived the worst of the lockdowns through the pandemic and is in gear to resume its pre-COVID-19 success and is hopeful that the country does not face another hard lockdown.

eMedia Holdings is separately listed on the JSE Securities Exchange, and more information on the group can be found at www.emediaholdings.co.za

HPL&R

Hosken Passenger Logistics & Rail

GABS 100%	ElJoSa 76%
Sibanye 100%	Table Bay Rapid Transit 100%

The past year will be remembered for the impact COVID-19 had on people's lives and business' fortunes. While COVID-19 restrictions curtailed movement it brought flexibility, ranging from working from home to working more flexible hours at the office. This fundamentally shaped the performance of the group over the reporting period.

The recognition of the group's commuter bus operations as an essential service provided a reprieve from the severe limitations placed on the number of passengers carried and restricted hours of operations imposed on public transport operators during the early lockdown period.

Innovative ways of scheduling buses, utilising manpower, instituting protocols for overseeing the management of the pandemic and tapping into regulatory relief measures typified the group's operations during the review period. It was heartening to observe a steady albeit gradual recovery in passenger numbers as lockdown restrictions were eased and an upward trajectory towards pre-COVID-19 levels appears imminent barring any further limitations.

Review of group results:

Reduced passenger numbers, because of COVID-19 lockdowns and the restriction on passenger mobility, resulted in a 19.9% decrease in revenue from FY2020. The resultant contraction in operations over the year coupled with various cost saving initiatives gave rise to a 19.4% savings in operating expenses from the year prior.

This resulted in an EBITDA for the period of R385.3 million (21.1% lower than FY2020 of R488.6 million).

Attributable group profit for the year is reflected at R204.8 million (21.5% lower than FY2020 of R261.0 million) and headline earnings at R203 million (18.9% lower than FY2020 of R250.5 million).

The group put all major capital expenditures, including its fleet replacement programme, on hold for FY2021 which resulted in a net reduction in debt of R152.8 million for the year.

The acquisition of the remaining shares in Sibanye and Table Bay Rapid Transit proved opportune as both entities performed above expectations during the review period, impacting very positively on the group's results.

During the ensuing financial year, the group will continue to explore ways to optimize operations within the confines of a lingering pandemic.

Golden Arrow Bus Services ("GABS"):

The changing travel patterns of passengers brought opportunities as more passengers moved to travelling in the off-peak, enabling cost savings during the peak operation and scheduling more off-peak services which are operated with existing staff and buses at a reduced cost.

The consequence of lockdown patently manifested in a significant drop in passenger volumes. This triggered a commensurate reduction in operations, downsizing of manpower and the implementation of short-time schedules to optimally align demand with supply to contain operational expenses. The curtailment of regular operations resulted in a 19% drop in revenue which led to a 28% decline in EBITDA and a reduction of 28% in NPAT. Management also temporarily suspended long term operational strategies and adopted problem-solving approaches to deal with the unpredictability ushered in by lockdown.

Applications to access the Temporary Employee Relief Scheme ("TERS") through the South African Road Passenger Bargaining Council ("SARPBAC") were lodged with the Unemployment Insurance Fund ("UIF") to supplement employee earnings impacted by short time whilst an agreement to be reimbursed a standing kilometer rate for the disruption of scheduled services was concluded with the Provincial Contracting Authority.

During the reporting period, a dramatic increase in armed robberies aimed at buses was experienced. After a series of high-level meetings, the Authorities agreed to install cameras on buses and deploy a dedicated public transport police force. Additionally, GABS has begun to install drop-safes in buses for drivers' takings.

The installation of solar electricity continued to generate significant yields with annual cost reductions in electricity usage of 98% recorded at the Company's Central Engineering Complex.


One of two 100% electric buses now being tested by GABS in active service conditions


Solar panels covering the roof of the Central Mechanical Facility in Epping

During the reporting period, solar panel installations were also rolled out to the largest depot which is projected to generate close to 295 000 kWh per year. This will effectively contribute to the offsetting of scope 1 emissions emanating from diesel consumed by the GABS bus fleet.

Over the review period GABS negotiated the testing of two electric buses from a leading international manufacturer. This provides an opportune base for the testing and commissioning of electric buses and the results will afford an empirical basis for the comparison of running costs vis-à-vis diesel powered buses.

A significant 5,2% improvement in kilometres travelled per litre of diesel consumed was achieved in relation to the previous year, which denotes a significant saving in the second highest element of the group's operational cost structure.

Innovative scheduling of buses and optimum allocation of manpower as passenger volumes stabilises to pre-COVID-19 levels are the focus in operations whilst the application of appropriate new age technologies is imbedded in the strategic blueprint of the engineering and support services.

Management remains vigilant in pursuing growth opportunities that are presented from fallouts in the broader mobility sector which have been caused by the pandemic and continues to keep a close watch on a raft of amendments (such as a proposed National Public Transport Subsidy Policy and the Competition Commission's market inquiry in the land based public passenger transport sector) that have been proposed in the regulatory environment of the transport sector.

Table Bay Rapid Transit ("TBRT"):

Table Bay Rapid Transit capped an overall creditable performance by positioning itself as the top performing Vehicle Operating Company ("VOC") in the MyCiTi system. This was largely underpinned by registering a minimal amount of operating infringements and consistently maintaining efficient driver ratios.

Furthermore, due to the specificity of the gross-based operating contract, the company was able to avert acute revenue losses associated with the decline in passengers generally experienced by public transport operators during the lockdown.

Revenue for the reporting period decreased by 4%, which was eclipsed by an 11% decline in operating expenses that yielded a notable 16% increase in EBITDA from the prior year.

Sibanye Bus Services ("Sibanye"):

Notwithstanding a 4% reduction in revenue, operating expenses reflected a 21% decline which resulted in the realisation of a notable 21% increase in EBITDA from the prior year.

Passenger numbers, after the easing of lockdown restrictions, showed a comparatively earlier restoration to pre-COVID-19 levels largely due to the high demand for services from passengers residing in the relatively remote hubs along the western seaboard routes operated by the company.

ElJoSa Travel and Tours ("ElJoSa"):

With its business model grounded in the luxury coach, charter hire and scholar transport sectors, ElJoSa regrettably bore the brunt of the downward cycle experienced by businesses during the varying levels of lockdown restrictions.

Revenue was decimated by 84% vis-à-vis the prior year, yielding a negative attributable EBITDA of R5.97million.

In mitigation of the losses incurred, management introduced short-time measures and mutually agreed payment for actual hours worked by operations staff.

The company remains geared for the anticipated opening of the international tourism market and the return to normality of school academic and sporting programmes.

Hosken Passenger Logistics and Rail is separately listed on the JSE Securities Exchange, and more information on the group can be found at www.hplr.co.za

DENEB INVESTMENTS LIMITED

DENEB INVESTMENTS LIMITED ("Deneb")

www.deneb.co.za

The year under review has been quite extraordinary. The national lockdown imposed in response to the COVID-19 pandemic resulted in Deneb only operating at 10% of capacity in April and 40% of capacity in May. The restrictions meant that at the end of the first quarter of this financial year, Deneb had recorded a loss before taxation of R42 million. From that point on, the group managed to perform really well and we are very pleased to report a total comprehensive profit of R128 million, a R253 million improvement from the R125 million loss in the prior period.

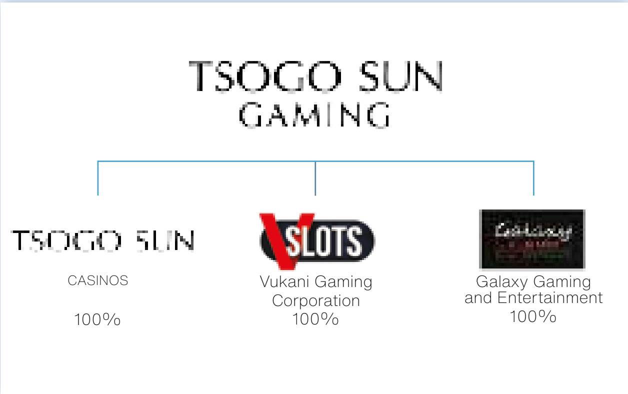
Deneb's businesses are very diverse and interface into various sectors of the economy. The businesses that interface into the agriculture and mining sectors for instance, experienced quite strong demand post the lockdown. On the other hand, the businesses interfacing into the education, hospitality and automotive sectors faced subdued demand. On the whole, the businesses proved very resilient given the challenging environment.

Most pleasing is the fact the Deneb group was also strongly cash generative and reduced its net interest-bearing debt by R201 million during the current year. Over the past two financial years, on the back of a deliberate plan, the group's net interest bearing debt has reduced by some R474 million. We believe that the group's debt is now at a far more manageable level and leaves it well placed to take advantage of any opportunities that may arise in the future. The reduced debt levels and lower interest rates saw net finance expense reduce by R50 million.

During the period under review, two of Deneb's Executive Directors announced their retirements. Amon Ntuli and Dave Duncan had both served the group for over 40 years and their respective contributions to Deneb's success has been immense. Dave Duncan has remained on the board in a non-executive capacity so his input will not be entirely lost to the group. We are very sad to report that subsequent to his retirement for health reasons, Amon Ntuli passed away. We miss his input into the group.

Deneb Investments Limited is separately listed on the JSE Securities Exchange, and more information on the group can be found at www.deneb.co.za

TSOGO SUN GAMING



TSOGO SUN GAMING LIMITED ("TSOGO SUN GAMING")

Overview:

The ongoing regulatory restrictions promulgated as a result of the COVID-19 pandemic, including the imposition of varying curfews, alcohol bans and capacity limitations, restricted Tsogo Sun Gaming's ability to trade and had a substantial negative impact on its results for the year under review.

All Tsogo Sun Gaming's businesses were closed for the first quarter of the 2021 financial year and thereafter re-opened in a staggered manner.

The second wave and consequent stricter regulatory restrictions imposed during December 2020 and January 2021 hampered the recovery (which commenced in September 2020) of Tsogo Sun Gaming's businesses.

Income for the year reduced by R6.0 billion compared to that of the prior year, EBITDA reduced by R2.3 billion and headline earnings of R1.3 billion for the prior year were wiped out resulting in a headline loss.

On the positive side, the businesses recovered well in the second half of the year notwithstanding the occurrence of the second wave.

Operating expenses:

Operating expenses were tightly controlled during the year, and the ongoing cost saving initiatives should provide sustainable benefits. Visibility of where the operating cost base will finish when back to a normalised trading environment is still difficult to determine accurately.

Finance costs:

Net finance costs excluding lease finance costs for the year amounted to R0.9 billion (R1.06 billion for the prior year excluding a reclassification from the cash flow hedge reserve on refinancing Tsogo Sun Gaming's debt of R136 million).

The R7.5 billion of interest swaps still in place negatively impacted this cost. R4.0 billion of these hedges are maturing on 30 June 2021, which will potentially realise an interest cost improvement for Tsogo Sun Gaming in the 2022 financial year. A portion of this saving will be offset by the margin ratchets imposed by Tsogo Sun Gaming's lenders who are continuing to support the businesses for the 2022 financial year.

Income, EBITDA and headline earnings:

Income for the year was R5.7 billion, EBITDA R1.74 billion and EBITDA adjusted for IFRS 16 Leases R1.66 billion (R0.08 billion lease costs are now included in depreciation and finance costs in terms of IFRS 16).

The headline loss for the year amounted to (R32 million), which is a great improvement from the (R543 million) headline loss reported for the interim period ended 30 September 2020. The 2020 financial year headline earnings amounted to R1.3 billion.

Debt and covenants:

We are pleased to report that Tsogo Sun Gaming reached agreement with its lenders to waive the expected March 2021 financial covenant breaches.

In addition, Tsogo Sun Gaming's net leverage covenant was reset to a maximum Net Debt : EBITDA multiple of 4.3 times for September 2021 and 3.8 times for December 2021. Furthermore the interest covenant was reset so that EBITDA covers interest by not less than 2.9 times by September 2021 and 3.0 times by December 2021.

The main conditions for the continued support by its

Palazzo Hotel

Suncoast Casino

lenders until 31 March 2022 are:

- a fixed margin ratchet of 58bps from 31 May 2021 until 30 August 2021;
- a tiered margin ratchet of between 27bps and 66bps (with the determination thereof being based on net leverage) from 31 August 2021 until 31 March 2022;
- Interest of approximately R400 million which was rolled up to support liquidity will be settled by 31 August 2021;
- a reasonable minimum financial results performance requirement for the quarter ending 30 June 2021, which has been met;
- no material part of the business shall be locked down for 30 days cumulatively; and
- no dividends to be declared until Tsogo Sun Gaming's financial performance returns to being within its original financial covenants.

Tsogo Sun Gaming has done well to reduce net interest bearing debt and guarantees from the unsustainable R11.8 billion reported for the interim period, to R10.9 billion at 31 March 2021 (R11.4 billion at 31 March 2020). Its focus remains on reducing its medium to long-term debt levels, thereby reducing risk and funding costs.

Debt reduction should accordingly be accelerated during 2022, provided that there are no further setbacks relating to the imposition of regulatory restrictions (like the lockdown of the businesses from 28 June 2021).

Casinos:

The casino division experienced a very difficult 2021 financial year.

The division focused on improving the structure and efficiency of its business while reducing its operating expenses, which focus was critical in enabling the division to generate the positive cash required to assist Tsogo Sun Gaming in reducing its significant debt burden. The results achieved ensured the continued support of Tsogo Sun Gaming's lenders which assisted in the survival and recovery of its business.

With the cost savings achieved and natural attrition, Tsogo Sun Gaming has to date managed to contain retrenchments to a minimum, despite continued trading restrictions. It is, however, not sustainable for the business (or its staff) to continue trading these limited hours in the long term without significantly reducing its staff complement. It is hoped that once the third wave has passed and casinos reopen, the ongoing curfews that have been imposed will be lifted so that the casino division can retain its staff.

Gold Reef City Theme Park was also restructured during the year and now boasts an additional 13 rides. The pricing structure has been changed to one price for all tickets, tickets are available online and the theme park will only be open on selected days of the week.

Theatres, cinemas and restaurants (and consequently tenanting income) remain challenging, with alcohol bans, curfews and social distancing requirements. The casino hotels made an EBITDA loss for the year.

Technological development will continue during the next financial year to position the casino division for the long term.

Bingo:

The bingo division faced the same restrictive environment as that of the casino division, but purely due to the smaller scale and lower overheads of bingo versus casinos, the bingo division was better placed to cope with this.

LPMs (Limited Pay Out Machines):

The LPM division continued to be the top performing division for the year.


Silverstar Casino

Black Rock Casino

While alcohol bans and bar closures continued to negatively impact the LPM business, the management team steered the LPM division to a very successful 2021 financial year, realising a market-leading EBITDA of approximately R300 million. Despite being far below the prior year levels, this is a remarkable performance given the complete shutdown of the business for the first quarter of this financial year, and the severe restrictions imposed during the second wave of the pandemic.

Capital expenditure, investments and sale of assets

Capital expenditure and investments of approximately R0.2 billion for the year included projects involving the casino hotels which had already been committed to in prior years, and unavoidable maintenance capex.

The focus for capex spend in future will be “value adding”, prioritising the needs of the gaming and entertainment aspects of the businesses, and the amount of capex to be spent on projects being contained as much as possible. With the cash flow constraints and the requirement to steer Tsogo Sun Gaming’s financial performance to return it to be within its original financial debt covenants, no major projects are planned for the 2022 financial year.

Investments and/or acquisitions in the industry, and the possible sale of non-core assets will continually be evaluated and considered where appropriate or feasible.

Regulatory:

It is disappointing that the 2018 bill relating to the Control of Tobacco Products and Electronic Delivery Systems is still being actively pursued during the most difficult time that the casino industry has ever faced. If not amended, this bill will result in the banning of smoking in the existing separate dedicated smoking areas of casinos (already limited to 25% of the floor space). This will further enable illegal gambling to thrive, resulting in significant tax and job losses.

Prospects:

With the continued support of its lenders as agreed until 31 March 2022, Tsogo Sun Gaming has effectively been afforded more time to reduce its debt to more acceptable levels.

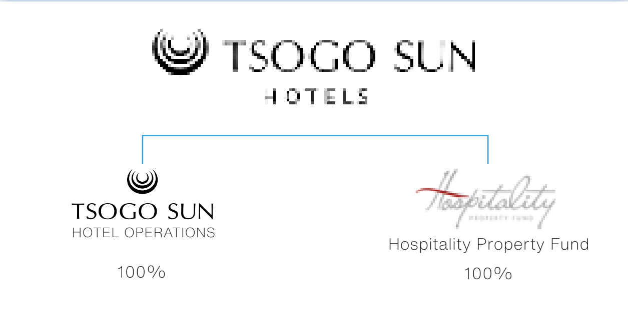
Until its financial performance has returned to being within its original financial debt covenants (net leverage below 3 times Net Debt : EBITDA) Tsogo Sun Gaming will continue with its narrow focus of delivering as much positive cash as possible to reduce debt. As a result of the lockdown imposed from 28 June 2021, Tsogo Sun Gaming may not be within its original covenants by 31 March 2022 and accordingly may have to come to an arrangement with its lenders.

It is a positive development that Tsogo Sun Gaming’s results achieved for the month of March 2021 were the best monthly results seen since the business was permitted to re-open in the second quarter of the 2021 financial year. In addition, net interest bearing debt and guarantees reduced further after year end to approximately R10.5 billion at 30 June 2021, before the negative impact of the lockdown of the businesses from 28 June 2021.

We are optimistic about the recovery path of the businesses, but remain cautious of the impact of the pandemic and related restrictive regulations (especially the curfew).

Tsogo Sun Gaming is separately listed on the JSE Securities Exchange, and more information on Tsogo Sun Gaming can be found at www.tsogosungaming.com

TSOGO SUN HOTELS




Mount Grace

TSOGO SUN HOTELS LIMITED ("TSOGO HOTELS")

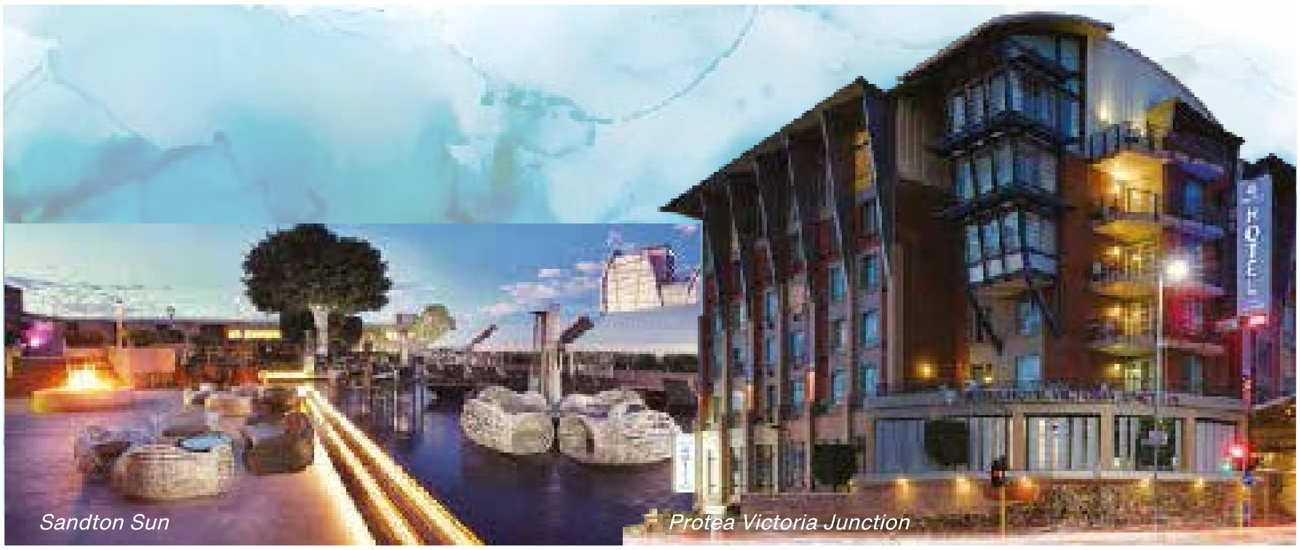
Tsogo Sun Hotels results for FY2021:

- Full year occupancy at 12%
- Ebitdar loss limited to R177m with R160m incurred in Q1
- Debt reduced by R183m to R3 069m
- R1.5bn in liquidity maintained

The results for the 2021 financial year, clearly reflect the devastating impact that COVID-19 and the accompanying lockdown regulations have had and continue to have on the hospitality industry in general and our group in particular. Since the group last reported in November 2020, there had been encouraging signs of a slow recovery in trading following the move to level 1 of the national lockdown and the group currently having 86% of its hotel portfolio open. The lifting of the international travel ban, subject to strict health and safety protocols, as announced by President Ramaphosa on 11 November 2020 was a positive step towards reviving the South African tourism sector.

However, thereafter on 29 December 2020, government announced the move to adjusted level 3 of the national lockdown in response to the country's second wave of COVID-19 infections.

The closure of beaches and the alcohol ban that accompanied the lockdown are particularly detrimental to the hospitality industry as they negatively impact guests' willingness to travel. To exacerbate matters, the negative publicity around the South African variant of the COVID-19 virus resulted in South Africa being added to the travel ban "red" list of many of the group's key source markets including Germany, the United Kingdom, France and the United States of America. This has meant that recovery in the international and corporate travel markets is likely to take longer than originally anticipated, particularly following the third wave of infections and recent civil unrest and looting in Kwa-Zulu Natal and Gauteng. As a result, the group's Sandton and Cape regions are expected to experience muted trading for the short to medium term with corporates only expected to lift travel restrictions and return to their offices in the second half of the year


Sandton Sun
Protea Victoria Junction

Arabella

The Edward

Southern Sun

Palazzo Hotel

depending on the success of the vaccine rollout, while for the Western Cape we see a potential recovery in international business in the summer of 2021/2022. The balance of the regions in which the group operates are expected to continue to be supported by the domestic leisure, government and sports segments.

The announcement that the British and Irish Lions rugby tour would proceed in South Africa during July 2021 came as welcome good news. The group should benefit from being the accommodation provider to the event with each hotel acting as a designated bio-bubble for teams, support staff and the media. A successful tour should assist in alleviating some of the reputational damage caused by the negative publicity around the South African strain of COVID-19 and re-establish the country as an attractive tourist destination.

Corporate actions:

On 13 July 2020, the group announced the sale of its 50% interest in the Maia Luxury Resort and Spa for aggregate proceeds of US$27.8 million or R467 million. The group's intention since the listing has been to reduce the US Dollar-denominated interest-bearing debt. COVID-19 has limited the group's ability to apply cash resources towards the settlement of this debt. The proceeds from the sale of this hotel assists in achieving this objective.

As announced on SENS on 11 March 2021, the group successfully acquired 100% of Hospitality's ("HPB") ordinary shares in issue in exchange for the issue of 417 million Tsogo Sun Hotels' ("TGO") shares at an exchange ratio of 1.77 TGO shares for every 1 HPB share held. Hospitality has subsequently ceased trading on the JSE, no longer operates as a Real Estate Investment Trust ("REIT") and has adopted Tsogo Sun Hotels' governance framework. This transaction was structured as a share-for- share transaction to preserve cash resources in order to withstand the impact of COVID-19 and similarly, its completion has eliminated the pressure for Hospitality to declare pre-tax cash distributions in order to retain its REIT status and will allow the group to focus on rebuilding the balance sheet by reducing debt in the short to medium term.

Review of operations:

The COVID-19 action plan put in pace to reduce costs and preserve cash assisted in limiting the group's Ebitdar loss to R177 million (2020 profit: R1 352 million), R160 million of which was incurred during the first quarter of FY2021 when the level 5 lockdown restrictions were in place.

Tsogo Sun Hotels is separately listed on the JSE Securities Exchange, and more information on the group can be found at www.tsogosun.com.

HCI Coal (Pty) Ltd

HCI COAL PROPRIETARY LIMITED ("HCI COAL")

www.hcicoal.co.za

This year has been a challenging year headlined by the impact of the COVID-19 pandemic. Given the extraordinary circumstances and volatility caused by the pandemic, our focus was to keep our people safe and well, maintain safe and reliable operations and support host communities all of which are critical to protecting the future of our business.

Our collieries developed and implemented critical controls designed to minimise the risk of exposure to COVID-19, including screening and testing, additional cleaning and hygiene measures, and adjustments to work routines to enable appropriate social distancing. However, we are saddened to report that during the year two people employed by our subcontractors succumbed to COVID-19. The company's excellent safety record was interrupted with only one Lost Time Injury which occurred in February 2021 after more than a year without any incident. The LTIFR (Lost Time Injury Frequency Rate) on a cumulative basis ended on 0.01 (FY 2020: 0.082).

Whilst coal production was identified as an essential service throughout COVID-19-related restrictions the company's overall performance was satisfactory. HCI Coal's revenue for the year decreased by R247 million to R1.38 billion and underlying EBITDA decreased by 18% to R209 million (2019: R248 million) for the year as a result of the curtailment of coal quantities accepted by Eskom to below contractually agreed levels as well as the sale of Mbali Colliery which was effectively completed on 1 March 2021.

Mbali Colliery which is situated in the Mpumalanga Province and almost at the end of its useful life was sold to Kunolwazi Resources for R37 million. For the reportable 11 months Mbali Colliery supplied coal to both the export and local markets achieving an EBITDA of R35 million (2020 : - R22 million) supported by solid cost control and a strengthening price for export coal particularly during the latter part of the year.

Palesa Colliery which supplies all its coal to Eskom, had limited opportunity to increase coal deliveries as Eskom restricted the loads and tons per day for the most part of the year, with Eskom citing a significant reduction in power demand due to the impact the lockdown has had on economic activities. Palesa Colliery sold 2 309 693 tons compared with the 2 727 276 tons in the previous year which represents a decrease of 15%. The colliery is close to concluding discussions with Eskom to possibly increase the supply of coal to Eskom.

	Palesa Colliery Tons
Mineral reserve: proven	57 009 242
Mineral reserve: probable	17 551 309
	74 560 551

Recognising the vital role we play in the remote communities surrounding our operations, we engaged with host communities, local traditional authorities, municipalities and civil society organizations to make sure we could provide a range of essential services such

as personal protective equipment (PPE), hand sanitizers, disinfectants, and food parcels during the pandemic.

Together with the HCI Foundation, the mining contractor, some transport contractors and our very own staff, the company embarked on a program to provide food relief to the indigent communities in and around our mining operations. A total of 4 698 food parcels were distributed during the initial hard lockdown that reached the doors of more than 3 000 households.

In May 2021 we farewelled our CEO Russell Jackson who passed away after a brief illness. Russell was an inspirational leader who made an outstanding contribution from his appointment in 2010. Russell enriched our work in so many ways and was instrumental in the formation of HCI Coal. Throughout this time, he exemplified the values that guide our work and was held in the highest regard by all who knew him. We are all the poorer for his loss.

PLATINUM GROUP METALS

PLATINUM GROUP METALS LIMITED ("PTM")

www.platinumgroupmetals.net

PTM is advancing the large palladium dominant Waterberg Project in South Africa ("Waterberg Project"). A definitive feasibility study published in September 2019 ("DFS") estimated 19.5 million reserve ounces of palladium, platinum, gold and rhodium at Waterberg, which is planned to be a shallow, low cost mechanised underground mine with decline access.

A mining right for the Waterberg Project was granted by the South African Department of Mineral Resources and Energy ("DMRE") on January 28, 2021. Several local parties have written appeals to the grant of the Waterberg Mining Right, which PTM and the DMRE are working through in the appropriate manner. PTM's near-term objectives are to continue working with local communities to maximize project value for all stakeholders, to complete construction financing and enter into concentrate offtake arrangements. Peak funding requirements are estimated at US $600 million, which may be satisfied by a combination of metal stream and equity financing plus a senior secured debt facility.

Engineering work and preparations for construction at Waterberg continues. PTM is in discussions with several parties regarding concentrate offtake and technical due diligence is underway with multiple parties for construction financing.

View in 2021 looking over Waterberg Project Field Offices, Camp and Core Yard northward to the Mining Right area.

PTM is also advancing an initiative through Lion Battery Technologies Inc. ("Lion") in collaboration with Anglo American Platinum Limited and Florida International University. Lion was jointly formed in 2019 to accelerate the development of next-generation lithium battery technology using platinum and palladium.

For the 12 months ended February 2021, PTM incurred a net loss of US\$11.14 million (2020: – \$9.87 million). During the period ending February 2021 PTM issued 11.6 million shares pursuant to offerings, placements and option exercises at an average price of US\$2.48 per share.

Platinum Group is listed as PLG on the NYSE.A (New York Stock Exchange) and PTM on the TSX (Toronto Stock Exchange).

HCI Properties

HCI PROPERTIES DIVISION ("HCIP")

www.hciproperties.co.za

Introduction:

HCIP did well in a financial year which fell almost entirely within the National State of Disaster period caused by the COVID-19 pandemic.

The HCIP team alongside our partners managed to exceed the portfolio's original pandemic adjusted rental collections, serviceability, and profitability forecasts, through active tenant engagement, operational cost reduction initiatives, and prudent capital and cash flow management. Type, geography, and occupier diversification underpinned by some nodal dominance assisted.

Although our focus has been somewhat defensive, HCIP continued with existing developments such as the Dentsu Aegis Cape Town Head Office in Woodstock and concluded the exit of Makro Port Elizabeth and The Kings residential development in Sea Point. We also took the decision to exit our position in the Fulcrum (residential development) with the intention of moving away from residential development risk.

Financial Results:

Rental income declined by only 7%, largely driven by the rental relief provided to our tenants. We exhibited a strong collections rate, securing 91% of contracted rental across the portfolio for the period ending 31 March 2021. Revenue decreased by 48% year-on-year, largely due to Gallagher Estate's conferencing and exhibition businesses not being able to operate under COVID-19 restrictions.

Our operating costs were well contained and were disproportionately lower than the drop in revenue. This is testament to the efforts of our hands-on management team. Our pre-tax losses (prior year profit) include fair value write downs of R18 million and a R87 million loss relating to the exit of the Fulcrum. Management also elected to have the entire portfolio revalued by an independent registered valuer which resulted in less than a 1% drop in the portfolio's gross value.

Finance costs decreased for the year under review due to the renegotiation of existing facilities and the lower interest rate environment. In anticipation of COVID-19 cash flow constraints, the team secured credit lines that in the end, did not need to be utilized. The portfolio rather decreased its gross borrowings by circa R120 million and ended the period cash flow positive. The Headline Earnings decreased by 56%, which is reflective of the combined contraction in our revenue and rental income.

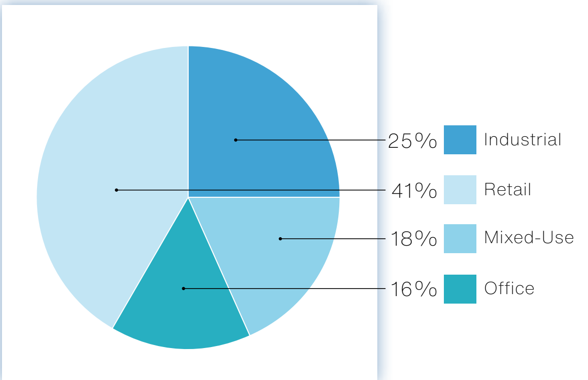
Retail:

The hard lockdown and associated trading restrictions had a major effect on retail rental collections. The ability of tenants to survive was hugely dependent on the type of retail offering, COVID-19 risks associated risks, and the willingness of landlords to afford deferrals or relief where appropriate. HCIP strategically hold convenience, neighborhood and dominant regional malls that have performed particularly well by servicing the essential needs of shoppers. The HCIP retail portfolio has a vacancy level of less than 2%.

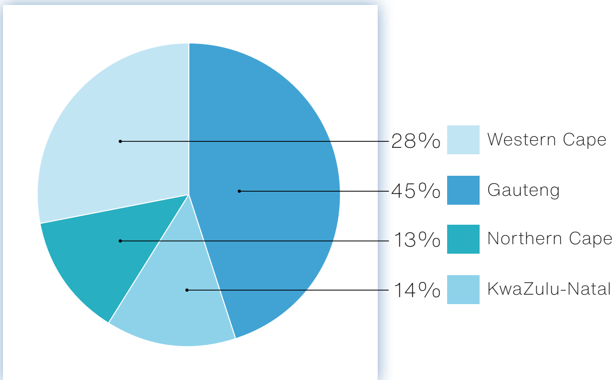
Offices:

The COVID-19 Pandemic has brought about a paradigm shift in the commercial office space arena with many businesses deciding to work from home or adopt a hybrid approach. South African landlords have had to be creative and navigate a sector that was already plagued by an oversupply correction pre-2020. There has been increased churn, renewals, and new signings across the balance of

HCI Properties : GLA (by Property Type)



HCI Properties : GLA (by Region)



the portfolio as tenants attempt to pivot and survive, which will place continued pressure on rental rates in the short to medium term. That said, our vacancy levels have remained stable and above the respective nodal averages.

Industrial:

The industrial and logistics sub-sector is enjoying an attractive investment claim. The HCIP industrial assets remains 100% let with a weighted average lease term of 4.5 years. The outlook for the asset type remains strong.

Mixed-Use:

The Point building has been a consistent performer as it has matured, fortifying its dominance within the Sea Point node. It provides a quality convenience shopping experience coupled with modern commercial suites. The retail is fully let with only two commercial vacancies. The Palms Centre in Woodstock has seen numerous retail tenants close their doors due to the pandemic.

Inner City Housing and Student Accommodation:

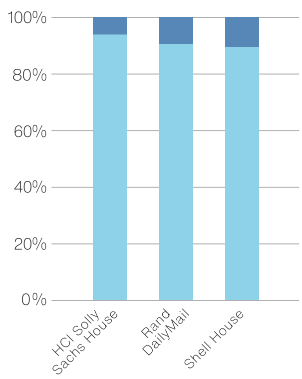
Live The City launched on the 1 April 2020 as an in-house property management business for HCI Property's Inner-City portfolio in Johannesburg. The three historic properties under management; Rand Daily Mail, Solly Sachs House and Shell House with a combined 1 080 residential apartments and upwards of 60 retail and office spaces.

Our decision to internalise the management of these properties was timely as we were able to respond much more actively to the extraordinary requirements of the COVID-19 pandemic than we would have been with an external manager. We put various measures in place to support our tenants through the pandemic and enjoyed great support from our suppliers. Residential vacancies rose as the effects of lockdown were felt but these improved significantly in the 6 months to June 2021. We were able to maintain strong collection rates for both residential and retail. Our buildings are well positioned for recovery.

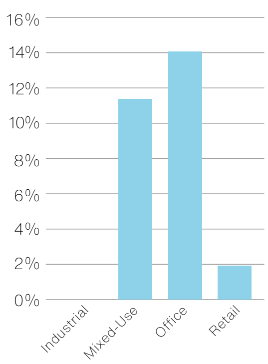
Gallagher Convention Centre:

As expected, the COVID-19 pandemic restrictions have had a devastating effect on large events and exhibitions, fundamentally impacting our ability to do business. This did not only apply to the Convention Centre but also our associated organisers and suppliers.

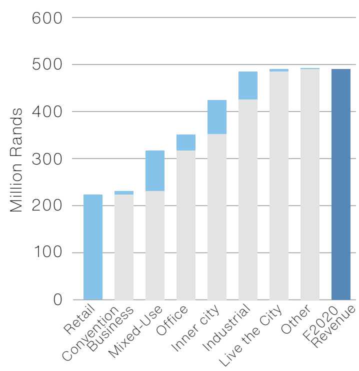
ICH Occupancies %



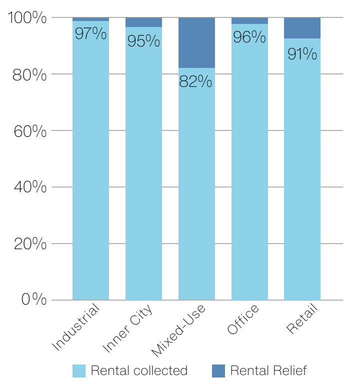
Total Vacancies %



Revenue Stack
(by Property Type)



% of Contractual Rent Collected
(by Property Type)



IMPACT OIL AND GAS LIMITED ("IMPACT")

www.impactoilandgas.com

Impact is a UK-based hydrocarbon exploration company. Its strategy is:

- to build a portfolio of high quality African deep-water prospects;
- partner these with super-major oil and gas companies, with the technical and financial capability to operate through the drilling and development (in a success case) phases; and
- ultimately, participate in a portfolio of high-impact exploration wells.

Impact has built a highly material portfolio, which is partnered with Royal Dutch Shell, Total Energies, Qatar Petroleum, and CNOOC.

South Africa Gas Condensate Discoveries:

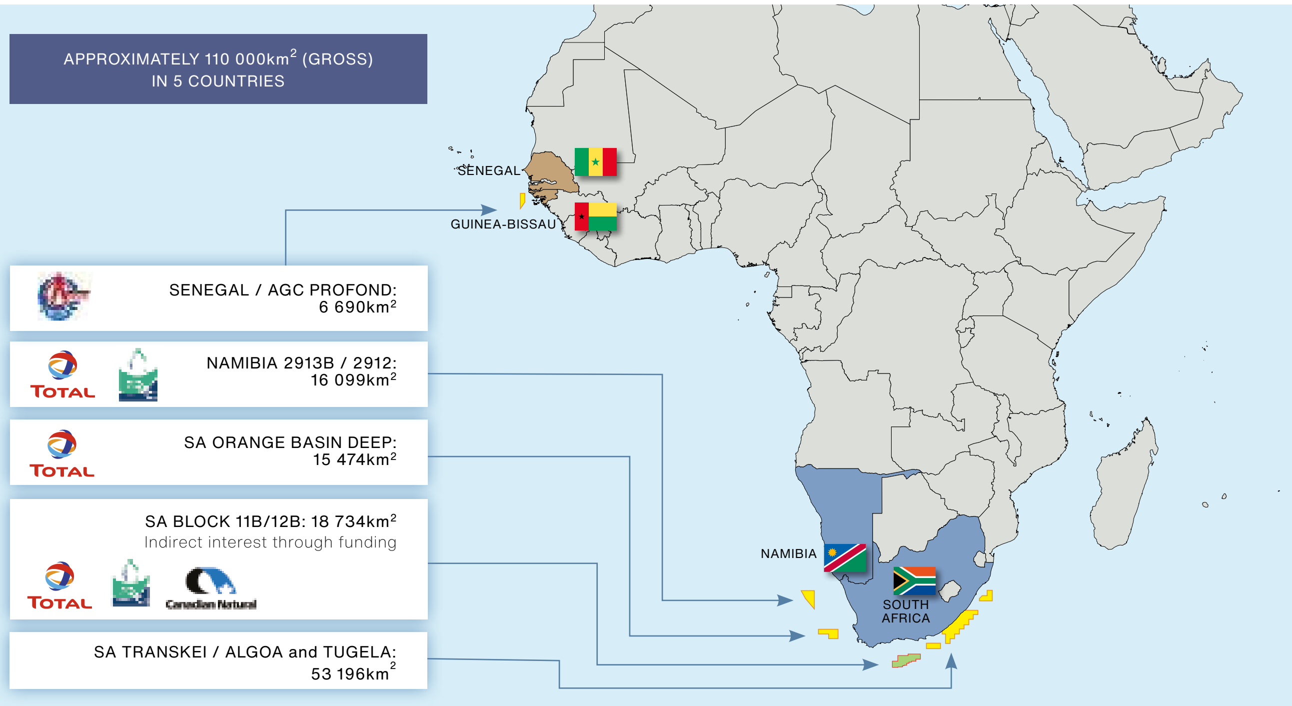
During 2019 and 2020, respectively, we reported two major gas-condensate discoveries, the Brulpadda and Luiperd fields of the Paddavissie Fairway, lying off the southern coast of South Africa in Block 11B/12B. The licence joint venture partners are currently assessing the feasibility of an early production scheme and a possible phased development of the Paddavissie Fairway. We are excited about this development, which could make a transformative contribution to the South African economy.

In 2020, in a milestone transaction, Impact reorganised its indirect interest in Block 11b/12b, replacing its loan arrangement with Arostyle Investments (RF) Proprietary Limited, with a direct equity interest in Africa Energy, a TSX listed company. Arostyle is the majority shareholder of Main Street 1549 Proprietary Limited, which holds a 10% participating interest in Block 11B/12B, whilst Africa Energy Corp. ("Africa Energy") holds 49% of the shares in Main Street. This has resulted in Impact currently holding a 36% interest in Africa Energy. In line with our strategy, the transaction provides Impact with additional options for monetisation of our participation in the Block.

South Africa – Growth and Opportunities:

Impact remains one of the largest acreage holders offshore South Africa, with substantial interests in the Orange Basin, Outeniqua Basin, and the Natal Trough. The potential of these offshore areas has been demonstrated by the Brulpadda and Luiperd well results and, if successful, the Venus well will also have a significant positive impact on the exploration potential of Southern Africa.

With both ExxonMobil and Equinor withdrawing from the



Transkei and Algoa Blocks in 2020, Impact became the sole licensee. This presented an exciting opportunity to take control of exploration across the highly prospective Natal Trough. Impact expanded into the licence outboard of the Transkei and Algoa Blocks, by acquiring a 90% interest in the ~78,000km2 Area 2 licence. Jointly, the Transkei and Area 2 blocks capture the full extent of all the large, deep water marine reservoirs of the highly prospective Natal Trough, which Impact believes to have billion-barrel resource potential.

At the end of 2020, Impact was joined by Royal Dutch Shell ("Shell") as operator of the Transkei and Algoa Blocks. Shell has agreed to acquire approximately 6 000sqkm of 3D seismic over the Transkei Block, commencing late 2021. These data will allow the joint venture to identify drill-worth prospects on the Block.

Namibia – Venus Exploration Well:

Impact's giant Venus prospect, in ultra-deep-water Namibia, Block 2913B, is now scheduled to be drilled by Total Energies during 4Q21. The Venus prospect has been identified by key industry analysts as one of the top 20 wells to watch, worldwide, in 2021. This is an exciting and long-awaited event in the Impact calendar. We hope to provide an update on this exciting well in 2022.

The adjacent Block 2912, where Impact holds an 18.89% interest, could contain a sizeable extension of the Venus prospect and offers substantial upside potential in a Venus success case.

Agence de Gestion et de Coopération entre le Sénégal et la Guinée-Bissau (AGC), a common maritime zone between Guinea-Bissau and Senegal:

In the AGC, Impact continues to work with its partner CNOOC to progress the exploration of the block. The joint venture has identified multiple exciting drill-worthy prospects but is awaiting both country's Parliaments to ratify the AGC Treaty renewal, before firming-up drilling plans. Impact's expectation is that at least one well will be drilled by CNOOC during 2H22 in the AGC area, if the Treaty is ratified in 2021.

Challenges:

Certainty of fiscal terms and the regulatory environment are crucial ingredients of investment in the oil and gas sector. These remain critical hurdles for Impact in both South Africa and the AGC. It is certainly positive news that a revised draft of the South African Upstream Petroleum Resources Development Bill was published in June 2021, and that progress has been made on a renewed AGC Treaty, but both items have some distance to travel before they are adopted into law. We continue to work with our industry partners and Governments on these issues, with the hope of unlocking significant value for Impact.

Industry Outlook:

The oil industry continues to be affected by the 2020 market crash, the effects of COVID-19 and the acceleration of the energy transition. However, oil prices have recovered substantially, with Brent oil currently trading between $70 and $75 per barrel.

Investment in exploration remains constrained, with the effects of 2020 and 2021 budget cuts by industry majors and super-majors continuing to affect exploration programmes. Whilst this underinvestment is likely to drive oil prices higher in the medium term, the hurdles to securing investment from the industry majors and super-majors remain extremely high as the sector focuses on producing assets over exploration.

KAROSHOEK

KAROSHOEK SOLAR ONE PROPRIETARY LIMITED (RF)

The Karoshoek solar project achieved an important milestone this year it passed the Long Term Performance Test. The plant has bedded down well and produced at 97% of its capacity over the past year. The Operator continues to refine plant performance to achieve higher output.

The COVID-19 pandemic was well managed and has not impacted substantially on the operation. The company is steadily reducing its debt and has become a valuable asset. At the same time it makes a positive contribution to the generation of renewable energy and demonstrates the great potential of this sector.

BUSINESS SYSTEMS GROUP (AFRICA) PROPRIETARY LIMITED ("BSG")

www.bsg.co.za

BSG is a successful homegrown South African consulting and technology services company that is passionate about being a proactive force for positive change. We are founded by Africans, working for Africa since 1997.

We help our clients to transform their operations through insights discovery and technology-enabled change. We help business and IT leaders work together to solve their most important problems, while working with and growing their people to sustain the momentum of their results. We are able to make this happen through our people: top talent from diverse backgrounds with a collective commitment to create a culture of excellence, innovation, and growth.

BSG contributes to our poorest communities by supporting the education of the most deserving of our nation's youth, through its decade long relationship with the LEAP Science and Maths Schools. BSG also proudly represents industry on many faculty advisory boards at our country's leading universities.

Niveus Investments Limited ("Niveus") and La Concorde Holdings Limited ("La Concorde")

Niveus was successfully delisted during the year and the shares of other shareholders purchased by HCI. Its sports betting subsidiary, Betcoza, was sold to Tsogo Sun Gaming and its remaining investments distributed to HCI in anticipation of winding up the Niveus holding structure. La Concorde agreed to sell certain properties to a third party during the year. It still holds the Laborie wine estate and a retail development in the Paarl area, as well as a collection of art, cash and an investment in Paarl Valley Bottling Company.

GRIPP Advisory ("GRIPP")

www.grippadvisory.co.za

GRIPP commenced operations in April 2018, and now its Durban presence complements its Johannesburg and Cape Town offices. As an advisory and consulting company, GRIPP focuses on providing its services to the HCI group of companies and the wider market. During the past year, the company continued to deliver key client engagements in its Governance, Risk, Internal Audit, Information Technology, Investigations, and Regulatory Compliance service lines.

GRIPP is being well received in the market and is poised for further success underpinned by the quality of its product offering that is relevant to the South African economic context. Despite the negative setback from COVID-19 and the related lockdown restrictions on the business's ability to trade and meet its financial obligations, the company continued to operate without having to reduce its staff complement. In line with the company's growth trajectory, GRIPP will continue to seek to employ professionals that are aligned with its purpose, which is, to improve the governance, risk and internal control environment of its clients and a vision to thereby increase their stakeholder value.

GRIPP is also committed to the transformation and social imperatives of the HCI Foundation and participates in the foundation's initiatives, including its student mentoring programme. In support of this, the company maintains a two-year learnership programme that is registered with FASSET and the Institute of Internal Auditors' Leadership Academy. This programme directly contributes to the creation of new employment opportunities in the advisory and consulting sector for appropriately qualified HCI Foundation beneficiaries and other young people entering the job market. During the year, eight young individuals completed their two-year learnership with GRIPP and a further eight are currently at various stages in the programme.

ALPHAWAVE GOLF PROPRIETARY LIMITED
("Alphawave")

www.inrangegolf.com

The year ending March 2021 will be remembered as the year in which Alphawave Golf found its place in the international golf and entertainment markets.

The year started with 3 commercial installations across the US and the UK and closed out with a total 10 installations with locations expanding into South Africa and the Middle East and a pipeline of signed contracts for new locations in the US, UK, China and Australia.

The acceleration of the business has been driven by the development of the new Inrange "in bay" solution which means that any driving range can not only provide an Inrange enhanced training experience but can also be transformed into an Inrange+ fueled entertainment destination.

The year ended with the launch of the new Inrange+ Courses product which the team anticipates will act as a gateway to introduce the keen golfer into the multiplayer experience and further drive the transformation of ranges into multiplayer active entertainment destinations.

In addition to the new in bay solution, the team has also successfully delivered a next generation radar sensor which allows for operation in geographies which were previously not accessible due to radio frequency regulations. This means that the accessible market for the Inrange solution has opened up to include the whole of Europe, Australia and allows for further expansion in the UK.

From a financial performance perspective, the business grew revenues by 148%. It is anticipated that the business will achieve operating profitability into the 2022 financial year.

BOARD OF DIRECTORS

John Copelyn

Rob Nicolella

Kevin Govender

Yunis Shaik

EXECUTIVE DIRECTORS

JOHN COPELYN (70)

Chief Executive Officer

B.A. (Hons) B.Proc

Johnny joined HCI as chief executive officer in 1997. Prior to this he was a member of Parliament and general secretary of the Southern African Clothing and Textile Workers' Union. He is the chairperson of the HCI subsidiary companies Deneb Investments, eMedia Holdings and Tsogo Sun Gaming and associate company Tsogo Sun Hotels which are listed on the Johannesburg Stock Exchange.

ROB NICOLELLA (52)

Financial Director

CA (SA)

Rob is a chartered accountant and has attended a leadership and development programme ("PLD") at Harvard University. During his 18 year tenure at Investec Bank, Rob headed the Structured Finance Division (Western Cape) and thereafter, Private Bank Western Cape. He joined the HCI Group in 2011 to develop the HCI Properties portfolio. He is a director on the boards of Impact Oil and Gas, Alphawave and Tsogo Sun Hotels. Rob was appointed to the board in May 2019 as an executive director and as financial director from August 2019.

KEVIN GOVENDER (50)

B.Com (Hons), B.Compt (Hons)

Kevin joined the HCI group in 1997 and has held various roles within the group. He was the Chief Financial Officer from 2001 to 2019. He was also the Acting CEO of eMedia Holdings Ltd from 2014 to 2017. He holds directorships in numerous HCI subsidiaries including Deneb Investments, eMedia Holdings and Hosken Passenger Logistics and Rail. He is a trustee and chairperson of the finance committee of the HCI Foundation. Kevin was appointed to the board of HCI as an executive director in June 2000.

YUNIS SHAIK (64)

B.Proc

Prior to his appointment at HCI Yunis was an attorney of the High Court and served as an acting judge in the Labour Court. He is a former deputy general secretary of the Southern African Clothing and Textile Workers' Union and served as a senior commissioner to the CCMA in KwaZulu-Natal. He is chairperson of Hosken Passenger Logistics and Rail and a director of Deneb Investments, eMedia Holdings and Tsogo Sun Gaming. Yunis was appointed to the board of HCI in August 2005 as a non-executive director and appointed as an executive director in August 2014.

NON-EXECUTIVE DIRECTORS

LAURELLE McDONALD (39)

CA (SA)

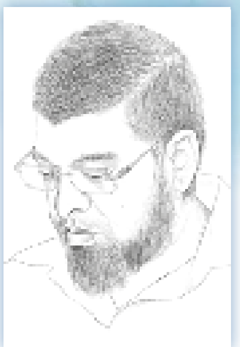
Laurelle is the Chief Financial Officer of Tsogo Sun Hotels Limited ("THL"). After serving her articles at Grant Thornton she joined Gold Reef Resorts in 2007. Subsequent to the acquisition of Gold Reef Resorts by Tsogo Sun, she was appointed Corporate Finance and Treasury Manager of Tsogo Sun Group ("Tsogo"), and, upon its unbundling from Tsogo, as Chief Financial Officer of THL. Laurelle was appointed to the board of HCI as a non-executive director in March 2020.

NQOBANI MKHWANAZI-SIGEGE (37)

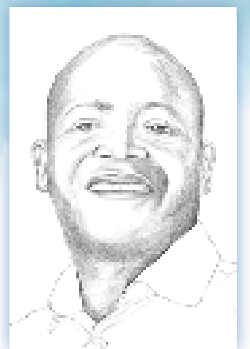
B.A. (Politics, Philosophy and Economics)

Bani joined the HCI Group in 2013. Together with Rob Nicolella she was part of the inaugural team of HCI Properties. Prior to joining HCI she was employed at Investec Bank in the property finance division. The focus was funding property developers and institutional clients acquiring, constructing, and refurbishing property assets in all asset classes. Bani is a trustee of the HCI Foundation. Bani was appointed to the board of HCI as a non-executive director in September 2019.

Laurelle McDonald   Nqobani Mkhwanazi-Sigege



Mohamed Ahmed



Freddie Magugu

Rachel Watson

Jabu Ngcobo

Elias Mphande

INDEPENDENT NON-EXECUTIVE DIRECTORS

MOHAMED AHMED (56)

Chairperson: Audit and risk committee
BCompt

Mohamed is a director and chairperson of the audit and risk committee of Tsogo Sun Hotels, Montauk Holdings and Deneb Investments. From 1997 – 2001 he was the chief financial officer of HCI. He has previously held directorships in Seardel Investment Corporation, MTN and Real Africa Holdings. Mohamed was appointed to the board of HCI as a non-executive director in September 2020.

FREDDIE MAGUGU (62)

Chairperson: Remuneration committee
BA (Theology)

Freddie has been serving the community in East London and Mitchell's Plain as a pastor since 2006. Prior to this appointment he reached the position of national organising secretary for the Southern African Clothing and Textile Workers' Union. Freddie was appointed to the board of HCI as a non-executive director in April 1998.

RACHEL WATSON (62)

Member: Audit and risk committee;
Remuneration committee;
Social and ethics committee

Rachel recently retired from a managerial position at a regional broadcaster. Prior to this she was employed at the Southern African Clothing and Textile Workers' Union. She is a director of Hosken Passenger Logistics and Rail, eMedia Holdings and Tsogo Sun Gaming and a trustee of the HCI Foundation. Rachel was appointed to the board of HCI as a non-executive director in March 2014.

JABU NGCOBO (70)

Chairperson: Social and ethics committee
Member: Audit and risk committee
Remuneration committee

Jabu served as regional secretary for Africa of the International Textile Garment and Leather Workers Federation from 2006. Prior to this appointment he held the position of general secretary of the Southern African Clothing and Textile Workers' Union. He is a director of Tsogo Sun Hotels and HCI Coal and a trustee of the HCI Foundation. Jabu was appointed to the board of HCI as a non-executive director in October 2004.

ELIAS MPHANDE (62)

Chairperson
Elec. Eng. (dip)

Elias was appointed as chairperson of HCI in 2014. He was the marketing director of Viamax Fleet Solutions, a subsidiary of Transnet, before joining Vukani Gaming Corporation as chief executive officer, until 2010. He serves on the boards of eMedia Holdings, Tsogo Sun Gaming and HCI Coal. He also consults for various companies in the gambling industry. Elias was appointed to the board of HCI as a non-executive director in September 2010.

REPORT OF THE AUDIT AND RISK COMMITTEE

Chairperson: Mr MH Ahmed
Members: Mr JG Ngcobo and Ms RD Watson

INTRODUCTION

The audit and risk committee ("committee") has pleasure in submitting this report in respect of the past financial year of the group, as required by section 94 of the Companies Act 2008, as amended ("Act"). The responsibilities and functions carried out by the Committee during the year under review are set out in this report.

The Committee is a statutory committee constituted in terms of section 94(7) of the Act to provide oversight of the financial reporting process, the audit process, the company's system of internal controls and compliance with laws and regulations. The Committee serves as the audit committee for Hosken Consolidated Investments Limited ("HCI or the Company") and all wholly-subsidiaries of the company, including HCI Coal Proprietary Limited, HCI Managerial Services Proprietary Limited and the HCI's property division. It also serves as the audit and risk committee for GRIPP Advisory Services Proprietary Limited which is 75% held by the company.

The Committee's mandate is set out in its terms of reference and includes the following responsibilities:

- Monitoring the accuracy and integrity of the group's financial and other reporting;
- Monitoring the effectiveness of risk management processes and internal controls;
- Reviewing the independence of the external auditor;
- Recommending the appointment of external auditors to shareholders on an annual basis;
- Reviewing the scope, results and cost-effectiveness of independent accounting and valuation services; and
- Reviewing the expertise and experience of the financial director.

COMPOSITION

In terms of the Act shareholders are required to approve audit and risk committee members at the annual general meeting ("AGM") of the company. Three independent non-executive directors of the company were approved by shareholders at the 2020 AGM to serve until the next AGM scheduled for 30 August 2021. Mr MH Ahmed, Mr JG Ngcobo and Ms RD Watson have been nominated to the committee, subject to shareholder approval at the AGM. The election of members of the Committee will take place by way of separate resolutions to be considered by shareholders. The text of these ordinary resolutions is set out in the notice of the AGM.

At least two independent non-executive directors are required to form a quorum.

The committee members possess all the required qualifications, skills and experience to ensure that the committee is suitably skilled to perform the role required by the terms of reference of the committee. The chairperson of the board is not a member of the committee.

The committee met four times during the year under review. The attendances of the committee members are presented below:

Committee member	Number of meetings	Attendance of members
MH Ahmed (current chair)**	2	2
MSI Gani (previous chair)*	2	1
JG Ngcobo	4	4
RD Watson	4	4

* Resigned 7 September 2020
** Appointed 7 September 2020

Mr Gani resigned from the HCI board of directors ("the board") on 7 September 2020 and therefore stepped down as a member of the audit and risk Committee on the same date.

Mr MH Ahmed, an independent non-executive director, was appointed to the board and the audit and risk committee effective 7 September 2020, to fill the vacancy arising on the resignation of Mr MSI Gani. The board considered the qualifications, skills and experience of Mr MH Ahmed in making this appointment. Mr MH Ahmed was re-appointed at the AGM of the company held on the 15 October 2020.

The required Stock Exchange News Service (SENS) announcement was released on the 7 September 2020.

The financial director, the group's risk officer and the group financial manager attend the meetings as permanent invitees, along with the external and internal auditors. Other directors and members of management attend as required.

ROLE, PURPOSE AND FUNCTION:

Combined Assurance:

The Combined Assurance Forum (incorporating internal audit, external audit, the financial director and the chief risk officer) provides assurance to the board that the risk management process is integrated into the daily business activities of the company and that the appropriate levels of assurance are obtained.

External auditors:

The external auditors for the period under review were BDO South Africa Incorporated and Mr Theunis Schoeman was the designated auditor.

The committee has:

- confirmed the independence of the external auditor as per section 92 of the Act; reviewed the performance of the external auditor and confirmed that the external auditor, the partner and the firm, have complied with the suitability requirements of the JSE as detailed in paragraph 22.15(h) of the JSE Listings Requirements;
- approved the fees to be paid to the external auditor and their terms of engagement;
- determined the nature and extent of any non-audit services that the external auditor may provide to the company and its wholly owned subsidiaries;
- pre-approved any proposed agreement with the external auditor for the provision of non-audit services to the company and its wholly owned subsidiaries;
- considered the key audit matters as identified by the external auditors;
- provided for regular confidential meetings between the committee members and the external and internal auditors; and
- considered all entities included in the consolidated financial statements in respect of financial reporting procedures.

Risk management:

The board acknowledges that it is accountable for the process of risk management and the system of internal control of the group. Mr D Levin holds the position of group risk officer. As HCI is an investment holding company, the risk management process considers the risks and opportunities within the company as well as those inherent in its portfolio of investments.

The committee is an integral component of the risk management process and, specifically, the committee ensures, by enquiry of management, external and internal auditors, that all material corporate risks have been identified, assessed, monitored and effectively managed.

The committee further enables the principle that risk management is also about analysing opportunities and not only guarding against downside possibilities. Internal control structures have been implemented to ensure that significant business and financial risk is identified and appropriately managed:

- it is management's responsibility to design, implement and monitor the risk management policies;
- risk assessments are performed on a continual basis;
- frameworks and methodologies are implemented to increase probability of anticipating unpredictable risks;
- risk responses by management are considered and implemented;
- risks are monitored continuously; and
- the board should receive assurance regarding effectiveness of risk management.

The committee is accountable to the board for implementing and monitoring the processes of risk management and integrating this into day-to-day activities. The committee, however, does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

A disciplined and timeous reporting structure enables the committee to be fully apprised of group company activities, risks and opportunities. This is achieved by requiring that subsidiary companies report their key risks and responses to the committee on a biannual basis, with additional exception reporting as required.

The focus of the committee is on those risks which may negatively impact the long-term sustainability of the business or have a material impact on short-term performance.

This continual emphasis on risk management assists the board to foster a culture in the HCI group that emphasises and demonstrates the benefits of a risk-based approach to internal controls and management of the group.

Effective risk management is seen as fundamental to the sustainability of the group's interests.

Material risks:

A high-level description of all immediately identifiable material risks which are specific to the group, the industries in which it operates and/or its issued ordinary shares are listed below:

Channels through which South Africa and the HCI group have been affected by COVID-19:

- negative market sentiment compounded by slowing economic recovery;
- substantial disruption to international and domestic travel and tourism;
- slowing down and changes to consumer spending;
- disruptions to global supply chains and domestic production;
- increased risk of workers being put on short-time or retrenched due to lack of demand.

Reforms which remain relevant to the HCI group:

Policy uncertainty/ regulatory authorities, including:
- changing B-BBEE regulations;
- finalisation of digital migration;
- SA mining rights - Department of Mineral Resources discontinued negotiations on a revised Mineral and Petroleum Resources Development Act, in 2018; and
- government land expropriation policy.

Societal and business risks relevant to the group:
- robberies and assaults on buses;
- unrest affecting mining operations and bus transport;
- unreliable and costly utilities – load shedding and water shortages;
- commodity price risk including coal, oil and palladium; and
- cyber and information related risk.

Internal audit:

The group has established an internal audit function at the holding company level. Where appropriate, subsidiaries have their own internal audit departments that perform the internal audit function for the relevant subsidiary in accordance with the subsidiary's agreed internal audit plan.

HCI has a majority shareholding in GRIPP Advisory Services Proprietary Limited which is responsible for the internal audit function within the group. The internal audit function reports to the chairperson of the Committee, thereby ensuring its independence. The Committee is satisfied that the company's internal financial controls and the arrangements for internal audit were working effectively during the year under review, and were predominantly adequate and fit for purpose.

IT governance:

As an investment holding company with limited technology needs, HCI has not deemed it necessary to focus on IT at a group level. The company has outsourced its IT operations to a credible service provider via a service level agreement. The committee considers all the reports from the subsidiary companies, as included in the risk report.

To ensure continuous improvements of the cybersecurity posture at HCI and limit the possibility of cyber threats, internal audit carries out 6-monthly vulnerability tests on the company's IT infrastructure.

Compliance:

The social and ethics committee has oversight of the group's compliance programme. It is the responsibility of this committee to review the matters that pertain specifically to audit and risk committees, such as tax compliance.

Whistleblowing:

The committee has oversight of the company's whistleblowing programme. During the period under review, it was satisfied that adequate and appropriate provision was made for whistleblowing. No instances requiring action at a group level were raised or identified during the period under review.

Corporate governance:

HCI is committed to the highest standards of business integrity, ethics and professionalism. The King Report on Corporate Governance™ for South Africa 2016 ("King IV™"), which is applied on an apply-and-explain basis, effective for years starting on or after 1 April 2017. King IV™ advocates an outcomes-based approach and defines corporate governance as the exercise of ethical and effective leadership towards the achievement of the following governance outcomes:

- ethical culture;
- good performance;
- effective control; and
- legitimacy.

HCI has reviewed the practices underpinning the principles promoted in King IV™. Many of these principles are entrenched in the group's internal controls, policies and procedures governing corporate conduct. The board is satisfied that HCI, in all material aspects, complies with the major recommendations of the King IV™ code to ensure that sound corporate governance and structures are applied within the group.

For the detailed King IV™ application register please visit the company website: www.hci.co.za.

Financial director and finance function:

The company employs a full-time financial director who is also an executive director of the company. Mr JR Nicolella has a CA(SA) qualification and holds extensive executive experience. During the period under review, the committee considered the expertise and experience of the financial director and is satisfied that, in terms of section 3.84(g) of the JSE Listings Requirements, Mr JR Nicolella has the appropriate skills, expertise and experience to meet the responsibilities of the position; and

The committee has also, in terms of King IV™, assessed the expertise of the finance function and the committee is satisfied that the finance team has the required and adequate skills to perform their duties.

Financial statements and going concern:

The committee has:

- reviewed the separate and consolidated financial statements of the company for the year ended 31 March 2021 and is satisfied that they comply with International Financial Reporting Standards and the requirements of the Act, that the accounting policies used are appropriate and that all procedures operated effectively in terms of the JSE Listings Requirements;
- reviewed the legal matters that could have a significant impact on the group's financial statements and the key audit matters contained in the external audit report;
- reviewed a documented assessment by management of the going concern premise of the company and has concluded that the HCI group is a going concern and that the consolidated annual financial statements have been prepared in accordance with the going concern concept. The board has accepted the recommendation of the committee that the company is operating as a going concern and has reported that status in the 2021 annual financial statements;
- considered the JSE's most recent report on the proactive monitoring of financial statements, and where necessary, those of previous periods. The committee has taken appropriate action to respond to the findings as highlighted in the JSE's report when preparing the annual financial statements for the year-ended 31 March 2021;
- reviewed the establishment of appropriate financial reporting procedures;
- reviewed the areas of focus in the financial statements. The committee is of the view that where significant judgements are involved in the preparation of the financial statements that could have a material impact on those financial statements, the financial director, management and the committee have exercised appropriate care and skill in making those judgements;
- reviewed the key audit matters identified by the external auditor and is satisfied that they have been adequately addressed.

  The following group key audit matters have been detailed in the audit opinion:

  - casino licences impairment assessment;
  - fair value of Investment Property;
  - goodwill impairment assessment; and
  - Investment in Associate - Tsogo Sun Hotels - Impairment assessment.

  The following company key audit matter has been detailed in the audit opinion:

  - Recoverability of investments in subsidiaries.
- confidence that the internal control system and governance structures that have been put in place, have operated effectively during the year. As a result of this, which ensured that there were no significant matters for the independent auditors to address during their audit of the financial statements or to report in their auditor's report.

Sustainability reporting:

The committee considered the company's sustainability information, as disclosed in this report, and has assessed its consistency with operational and other information known to committee members. The committee is satisfied that the sustainability information is reliable and consistent with the financial results.

Other matters:

- The committee receives and deals with complaints and concerns from within and outside the company relating to all matters within its terms of reference. No complaints were received during the current or prior year.
- The committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at the company's expense;
- The committee has decision-making authority regarding its statutory duties and is accountable in this regard to both the board and the shareholders. On all responsibilities delegated to it by the board, other than its statutory duties, the committee makes recommendations for approval by the board; and
- The chairperson of the committee attends annual general meetings and is available to answer any questions in relation to matters pertaining to the responsibilities of the committee.

Recommendation of the integrated annual report:

The committee has evaluated the integrated annual report of Hosken Consolidated Investments Limited and the group for the period ended 31 March 2021 and, based on the information provided to the committee, the committee recommends the adoption of the annual financial statements and integrated annual report by the board.

MH Ahmed
Chairperson: Audit and risk committee
27 July 2021

REPORT OF THE REMUNERATION COMMITTEE

Chairperson: Mr MF Magugu
Members: Mr JG Ngcobo and Ms RD Watson

The Remuneration Committee ("committee") is pleased to present its report for the year ended 31 March 2021, as recommended by the King IV Corporate Governance Code ("King IV™"). The committee is constituted by the board, has an independent role, and is accountable both to the board and to shareholders.

The Committee is a statutory committee constituted in terms of section 94(7) of the Companies Act.

The board has delegated responsibility for the oversight of HCI's remuneration practices to the remuneration committee. In line with principle 14 of King IV™, the committee ensures that HCI remunerates fairly, responsibly and transparently, so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. The committee seeks advice and guidance from external experts, as deemed appropriate.

The HCI remuneration report, as recommended in principle 14 of King IV™ includes the following:

- Role, purpose and function of the remuneration committee;
- Main provisions of the remuneration policy; and
- The remuneration implementation report

The committee has adopted, where appropriate, certain elements of the King IV™ principles in relation to Remuneration.

COMPOSITION

The committee comprises the following independent non-executive directors, who have the requisite skills and experience to fulfil the committee's duties:

- Mr FM Magugu (chairperson)
- Mr JG Ngcobo and
- Ms RD Watson

The chairperson of the board is not a member of the remuneration committee. In line with the recommendations of King IV™, the chief executive officer attends the meetings of the committee at the request of the committee but recuses himself from the meeting before any decisions are made.

The committee meets as often as required but not less than twice a year as per the memorandum of incorporation of the company.

Committee meeting attendances for FY2021 are as follows:

Committee member	No of meetings	Attendance of members
MF Magugu	2	2
JG Ngcobo	2	2
RD Watson	2	2

ROLE, PURPOSE AND FUNCTION

This committee is primarily responsible for overseeing the remuneration and incentives of the executive directors and executive management.

The key duties of the committee include:

- Ensuring that HCI upholds its entrenched remuneration philosophy that is consistent with the company's long-term requirements and decision making and promotes the achievement of its strategic objectives;
- Determining on an annual basis:
  - the remuneration of non-executive directors;
  - the total remuneration package of executive directors including annual increases, short-term performance bonuses and long-term incentives;
  - ensuring the combination of fixed and variable pay is appropriate when benchmarking remuneration levels;
  - reviewing all proposals for executive share-based incentives and other short-term and long-term incentive schemes;
  - compiling a report for inclusion in HCI's integrated annual report and reviewing any disclosures in the report or elsewhere on remuneration policies or directors' remuneration; and
  - review of the terms of reference of the remuneration committee;
- Making recommendations to the board on directors' fees and the remuneration and service conditions of executive management;
- Providing a channel of communication between the board and management on remuneration matters. The committee has empowered management to ensure that this principle is upheld and to address any remuneration disparities.

PROVISIONS OF THE REMUNERATION POLICY

Executive directors:

HCI's remuneration policy is aligned with its commitment to the principle of fair and responsible remuneration for all employees, based on their capabilities, skills and responsibilities. The committee takes cognisance of local best remuneration practices in order to ensure that such total remuneration is fair and reasonable to both the employee and the company. The committee utilises the services of independent remuneration consultants, as and when required, to assist in providing guidance on the remuneration for executive management. This philosophy's intended consequence is to attract, retain and develop employees with scarce and critical skills who contribute to sustained business growth and who are aligned to the strategic and operational requirements of the business.

The remuneration structure of executive directors is linked to the group's medium- to long-term business objectives and is therefore aligned to shareholder interests. The performance of the chief executive officer is evaluated by the board of directors. As management works together as a team, the performance of the chief executive officer reflects the performance of management as a whole. The annual pay increases of the executive directors are aligned to the annual increase parameters as determined by the remuneration committee.

The total remuneration packages of executive directors comprise:

- a guaranteed remuneration package;
- a short-term discretionary cash-based incentive bonus; and
- participation in the The HCI Employee Share Scheme.

Guaranteed salary:

A market related guaranteed remuneration is paid to executive management and staff irrespective of the group's performance in order to attract and retain talented high-performing people.

Key employees and staff are entitled to leave benefits as per the Basic Conditions of Employment Act. Executive management and long-serving employees have been awarded with extra leave days. No further benefits are offered to key employees or staff. Salaries paid are cost to company.

Short-term incentive cash bonus:

Executive directors participate in the annual short-term cash-based incentive scheme. The sustainability of HCI's business is critical in determining remuneration and the board is satisfied that the performance criteria do not encourage excessive risk-taking by the executives. A strong overlap of members sitting on the audit and risk committee and the social and ethics committee with that of the remuneration committee ensures that all stakeholder interests and the status of the company as a good corporate citizen is upheld and that the risk of the company is well-managed when the performance of executive management is under consideration.

The maximum bonuses that can be earned by executive management are as follows:

Position	% of annual salary
Chief executive officer	75
Financial director	65
Other senior management	40-65

The annual discretionary short-term incentive scheme awarded to key employees is not based on predetermined performance targets but rather on comprehensive financial and non-financial performance.

The following performance measures and value drivers were considered in reaching a final bonus for executive management for recommendation to the board:

- Preservation of long-term growth of the share;
- Identification of new growth opportunities for the company;
- Protection of cash negative fast-growing assets in the company through cash-stressed COVID-19 conditions;
- Strategic direction for subsidiaries in dealing with COVID-19 related stress;
- Balancing long-term damage through dilution of shareholding against risk associated with trading one's way out of the difficulties;
- Legal matters and other negotiations that are drivers of value creation;
- Sustainability of increased value delivered to shareholders over time; and
- The impact on all stakeholders.

To mitigate the risk of reckless pay-outs, an annual award is considered, as opposed to large once-off awards. A Malus and Clawback policy was approved into the remuneration framework in FY2020 for executive management.

Long-term incentive scheme:

The group operates a share option scheme, The HCI Employee Share Scheme ("the Scheme"), in terms of which shares in the group are offered on a share option basis to participants, provided they remain in the group's employ until the options vest. Any gain realised on the exercise of these options is settled on a net equity basis, whereby the participant receives that number of shares that equates in value to the gain made on exercise date.

Options must be exercised within six months of the vesting date, where after the options lapse. Options vest over periods of three to five years. These vesting periods may be varied by the board of directors.

Share options are allocated to participants at a ten percent discount to the 20-day volume weighted average market price as at the date of grant. The number of share options granted is determined by use of a multiple of the participant's basic salary, dividend by the discounted market price. The multiples relating to each level of management are as follows:

Position	Multiple of basic salary
Chief executive officer	6
Financial director	5
Senior management	4-5
Other management	2-3

Such awards are made from time to time and are disclosed in detail. Refer to pages 45 to 48.

On 31 March 2021, HCI held sufficient treasury shares to settle its obligations to deliver shares to the participants in the HCI share scheme.

In the event of resignation or dismissal for just cause all unexercised share options will be forfeited

Subject to the discretion of the board, in the event of death, disability, retrenchment or retirement (or early retirement) unvested share options may become exercisable prior to the option expiry date.

In the event of a change of control of the company, unvested share options may become exercisable immediately or the subject share changed to another entity, subject to the discretion of the board.

Other payments:

HCI does not subscribe to retention and sign-on payments or termination payments and restraint of trade payments.

Non-executive directors:

Non-executive directors receive fees for their services as directors and for serving on board committees. These fees reward the directors fairly for the time, service and expertise that they provide to HCI.

Non-executive directors earn a basic fee which is in line with companies of a similar size. These fees escalate annually in line with inflation and are benchmarked, every 3 years, against the 50% median of the market for comparable companies utilising independent salary surveys. HCI did not utilise an independent remuneration consultant but made use of the PWC REM channel national survey in 2019.

Directors earn up to a maximum of 50% of their board fees by serving on the committees responsible to the board of directors. Non-executive directors do not receive short-term incentives and do not participate in any long-term incentive schemes.

Directors' emoluments and other relevant remuneration information are disclosed on pages 49 and 50 of the remuneration report.

KEY DECISIONS TAKEN:

HCI has a diversified portfolio of investments across many industries including media, transport, industrial and manufacturing, properties, mining and leisure industries.

The most significant impact on the investments and the HCI share price during FY2021 was the global outbreak of the COVID-19 pandemic resulting in the State of Disaster announcement by the South African government and the subsequent lockdown regulations which currently remain in place. This has affected all the HCI investments especially in leisure industries which include gaming and hotels.

All these conditions were outside the control of management; the share price collapsed to R17 in March 2020 but has since regained traction and has increased to a high of R72 per share. The decline resulted in the total diminution of the long-term incentives offered to the participants.

Management had been awarded a 5% annual increase and a 100% bonus at the remuneration meeting held in March 2020; but due to the onset of COVID-19, management voluntarily agreed to abandon both the annual increase and the bonus. Non-management employees were not granted cost of living related salary adjustments, normally effected in April.

Except for the employees at the lowest salary scale all employees were able to work remotely. The company continued to pay full salaries to all employees including those at the lowest positions who would have been the hardest hit financially. All employees that were not at risk returned to work on 1 July 2020 based on a schedule which limited the number of employees in the office. At risk employees continue to have an option to work remotely.

Guaranteed salary:

The average salary increase recommended by the remuneration committee for FY2022 is 6% (2021 : 5%; not implemented).

Short-term incentive cash bonus:

The company froze all short-term incentive bonuses to senior staff for FY2020 and postponed considerations of any such payment this year despite the committee being absolutely satisfied with the efforts made by executives related to objectives set out in the short-term incentive policy.

- Market capitalisation has increased from R2.221bn in FY2020 to R5.137bn in FY2021 as a result of the share increasing from R27.46 to R63.52 at year-end, demonstrating that the company has overcome the crisis and is on the road to recovery;
- The effect of COVID-19 has been to reduce headline earnings from R1.05bn in FY2020 to R0.2bn in FY2021;
- Throughout the pandemic management continued to create value and ensure the sustainability of its subsidiaries.

Bank negotiations and long-term debt:

- Successful negotiations with a consortium of banks to conclude a debt repayment program which was fundamental to the sustainability of the business;
- Many assets in the group are brought to HCI as opportunities due to their need of financial support. These assets are nurtured from start-up until they reach profitability. The potential of these growth assets would be stunted if funding were not available to them during the period under review. The negotiations with the banks preserved the ability of the company to continue funding companies, if required, such as Alphawave, Impact Oil and Gas and Platinum Group Metals;
- Management managed to prevent the banks from enforcing any sale of assets and/or a rights issue which would have diluted current shareholder value; and
- Inter-company loans were eliminated. Long-term debt was successfully reduced and HCI increased its shareholding in several listed entities.

Legal matters:

- Generally, the subsidiary companies operate without the assistance of HCI unless there are significant issues and, as the majority shareholder, HCI becomes involved. This involvement normally involves assistance with litigation;
- The conclusion of the dispute with Ithuba resulted in an unexpected windfall which allowed the company to reduce some of its long-term debt;
- eMedia was granted an interdict to prevent government from auctioning off the spectrum and switching off the transmitters in a number of areas as they migrate from analogue to digital; and
- Current legal matters include wage negotiations for Golden Arrow Bus Services; consultations with the community that owns the surface rights on land required for the Platinum Group Metals infrastructure; successful delisting of Niveus Investments Limited;

Long-term incentive scheme:

The company did not pay awards to management in April 2020 due to the effect of COVID-19 on the market and the HCI share price. The committee postponed the awarding of the share options to December 2020 when the share price had recovered and the market had sufficient time to consider the interim results posted by the company in November 2020.

No outstanding share options granted to management prior to the December 2020 award were exercisable during the year.

Non-executive fees:

In line with the 6% increase granted to management, the committee approved an above CPI increase to the non-executive directors.

The proposed fee structure payable to non-executive directors from the 1 September 2021 to the following annual general meeting is presented in the table below. Also see Special Resolution Number 2 on page 10 in the Notice of Meeting.

Position	Actual fee 2020	Proposed Fee
	excl VAT	R'000
Non-executive director	323.6	343.0
Member of audit committee	161.8	171.5
Member of remuneration committee	84.9	90.0
Member of social and ethics committee	40.0	42.4

VOTING RESULTS AND SHAREHOLDER ENGAGEMENT

The remuneration policy report and the remuneration implementation report, which provide insight into the group's remuneration practices are tabled for non-binding advisory votes of shareholders at the annual general meeting. In the event that either the remuneration policy or the remuneration implementation report, or both, have been voted against by 25% or more of the voting rights exercised by shareholders at the annual general meeting, the company will formally engage with such dissenting shareholders to understand the reasons for the dissenting votes, and in respect of objections which are legitimate and reasonable to consider amending the remuneration policies or governance processes.

The non-binding advisory vote on the remuneration policy and the non-binding advisory vote on the remuneration implementation report was approved by 74.49% and 76.00% respectively of the voting rights exercised at the annual general meeting held on the 15th October 2020. As more than 25% of shareholders voted against the non-binding remuneration policy, the resolution did not pass. In response to these votes the company considered the company's remuneration arrangements in detail and engaged with shareholders in accordance with principle 14 of King IV™. Attempts to contact dissenting shareholders were made through the nominee companies, direct contact where possible and via SENS.

The material issues raised by the shareholders were as follows:

Bonuses should be performance orientated with visible criteria, less discretionary and not formula driven:

- HCI is not an operating company and cannot set specific targets for the year. Results are not predictable as are they dependent on the operating entities. The value generated by management is only visible at year-end and is a consequence of deal-making and successful litigation.
- Management suggested that more detail on the significant matters would be included in the report as to how the discretionary bonus was calculated.

Shareholding in company:

- The inclusion of minimum shareholding requirements for executive management should be considered for inclusion in the remuneration policy in line with international practices. International practices may require holding a minimum percentage of total guaranteed package or base salary in company shares. This practice is intended to enhance alignment of interests with other shareholders to show long-term commitment and sustainable company performance by sharing all the risks.
- Executives at HCI hold a substantial stake in the company, they have held shares in the company for a protracted period of time, and in the circumstances the committee is satisfied that it is not necessary to impose corporate requirements on senior executives to create a feeling of well-being amongst other shareholders who are likewise free to trade their shares at will. Should we find the shareholding owned by management decreases in any material way the committee will review this issue.
- The committee has further agreed that the remuneration implementation report will detail all changes of shareholding by executive management during the year. The committee welcomes any comments from shareholders in its ongoing commitment to engage with shareholders.

Long-term share scheme:

- Discussions on the long-term share scheme was of a technical nature and based on the formula used to allocate the shares.

The meeting was more informed than prior years although no consensus could be agreed between HCI and the shareholders. However, as agreed at the meeting, more detail of the remuneration policies have been included in the integrated report. No policy changes were to be implemented as these were not justifiable in the context of the HCI business model or strategic objective.

FUTURE AREAS OF FOCUS:

The remuneration committee will focus on updating its terms of reference to ensure that they are aligned with recommended corporate government practices.

CONCLUSION:

The committee is satisfied that it has carried out its responsibilities for the year in compliance with its mandate.

REMUNERATION IMPLEMENTATION REPORT

Principle 2.26 recommends that the remuneration of each individual director and the three most highly paid employees who are not directors in the company be disclosed. The remuneration report discloses the remuneration of the three most highly paid employees, however the names of the employees have not been disclosed as the board is of the opinion that such information is private to the individuals concerned and adds no value to stakeholders.

Details of remuneration of the three highest paid members of management, which are not directors, for the year ended 31 March 2021 is reflected below:

	Basic salary R'000	Other benefits R'000	Bonus R'000	Gains on share scheme R'000 *	Total R'000
Employee A	6 430	143	-	5 850	12 423
Employee B	5 574	472	4 070	-	10 116
Employee C	4 725	-	1 242	2 904	8 871

** IFRS2 share-based payment expense*

HCI EMPLOYEE SHARE OPTION SCHEME

The group operates a share option scheme, The HCI Employee Share Scheme (the Scheme), in terms of which shares in the group are offered on a share option basis to participants, provided they remain in the group's employ until the options vest. Any gain realised on the exercise of these options is settled on a net equity basis, whereby the participant receives that number of shares that equates in value to the gain made on exercise date.

Options must be exercised within six months of the vesting date, whereafter the options lapse. Options vest over periods of three to five years. These vesting periods may be varied by the board of directors.

Share options granted to eligible participants that have not yet become unconditional:

	2021 Number of share options	**2021** Weighted average exercise price R	2020 Number of share options	2020 Weighted average exercise price R
Balance at the beginning of the year	1 840 458	103.43	1 444 068	118.14
Options granted	1 699 833	49.30	889 356	87.71
Options that became unconditional	(4 614)	117.03	(441 030)	118.83
Options forfeited	-	-	(51 936)	112.54
Balance at the end of the year	3 535 677	77.39	1 840 458	103.43

	Number of share optionss	Exercise price R
The fair value of options granted is measured using the Black-Scholes model. Share options granted in the current year were fair valued using a volatility indicator of 85% (2020: 23%) and an annual interest rate of 3.5% (2020: 6.5%). The cost relating to options is recognised by allocating the fair value over the vesting period on a straight-line basis.		
The volume weighted average share price during the current year was R35.56 (2020: R89.31).		
The options issued in terms of the Scheme and outstanding at 31 March 2021 become unconditional between the following dates:		
28 August 2021 and 28 February 2022	919 270	117.78
26 September 2021 and 26 March 2022	4 614	117.03
28 August 2022 and 28 February 2023	16 900	117.78
29 August 2022 and 28 February 2023	845 621	87.71
28 August 2023 and 28 February 2024	16 898	117.78
29 August 2023 and 29 February 2024	16 271	87.71
29 August 2024 and 28 February 2025	16 270	87.71
18 December 2024 and 18 June 2025	849 923	49.30
18 December 2025 and 18 June 2026	849 910	49.30
	3 535 677	

A maximum number of 2 354 512 (2020: 1 103 330) shares may be issued in respect of 3 535 677 (2020: 1 840 458) options issued in terms of the Scheme.

The maximum number of shares that may be utilised for the purposes of the Scheme is 10 500 000 shares. In addition to the options in issue at the reporting date and shares already delivered to participants, a further 6 350 276 (2020: 8 782 623) shares may be utilised by the Scheme. 1 699 833 (2020: 878 162) options were issued in terms of the Scheme during the year and nil shares were delivered to participants (2020: nil).

	2021 Number of share options	2021 Weighted average exercise price R	2020 Number of share options	2020 Weighted average exercise price R
OPTIONS GRANTED TO EXECUTIVE DIRECTORS				
JA Copelyn				
Balance at the beginning of the year	440 675	104.78	374 180	117.53
Options granted	379 364	49.30	190 451	87.71
Options expired	-	-	(123 956)	117.03
Options vested and shares delivered	-	-	-	-
Balance at the end of the year	820 039	79.12	440 675	104.78
Unconditional between the following dates:				
28 August 2021 and 28 February 2022	250 224	117.78	250 224	117.78
29 August 2022 and 28 February 2023	190 451	87.71	190 451	87.71
18 December 2024 and 18 June 2025	189 682	49.30	-	-
18 December 2025 and 18 June 2026	189 682	49.30	-	-
JR Nicolella				
Balance at the beginning of the year	233 502	102.78	161 049	117.58
Options granted	197 176	49.30	116 459	87.71
Options expired	-	-	(44 006)	117.03
Options vested and shares delivered	-	-	-	-
Balance at the end of the year	430 678	78.30	233 502	102.78
Unconditional between the following dates:				
28 August 2021 and 28 February 2022	117 043	117.78	117 043	117.78
29 August 2022 and 28 February 2023	116 459	87.71	116 459	87.71
18 December 2024 and 18 June 2025	98 588	49.30	-	-
18 December 2025 and 18 June 2026	98 588	49.30	-	-
TG Govender				
Balance at the beginning of the year	199 658	100.33	162 484	117.42
Options granted	164 574	49.30	115 866	87.71
Options expired	-	-	(78 692)	117.03
Options vested and shares delivered	-	-	-	-
Balance at the end of the year	364 232	77.27	199 658	100.33
Unconditional between the following dates:				
28 August 2021 and 28 February 2022	83 792	117.78	83 792	117.78
29 August 2022 and 28 February 2023	115 866	87.71	115 866	87.71
18 December 2024 and 18 June 2025	82 287	49.30	-	-
18 December 2025 and 18 June 2026	82 287	49.30	-	-

	2021 Number of share options	2021 Weighted average exercise price R	2020 Number of share options	2020 Weighted average exercise price R
Y Shaik				
Balance at the beginning of the year	188 854	105.28	158 382	119.55
Options granted	163 340	49.30	78 536	87.71
Options expired	-	-	(48 064)	123.63
Options vested and shares delivered	-	-	-	-
Balance at the end of the year	352 194	79.32	188 854	105.28
Unconditional between the following dates:				
28 August 2021 and 28 February 2022	110 318	117.78	110 318	117.78
29 August 2022 and 28 February 2023	78 536	87.71	78 536	87.71
18 December 2024 and 18 June 2025	81 670	49.30	-	-
18 December 2025 and 18 June 2026	81 670	49.30	-	-

DIRECTORS' SHAREHOLDINGS

	Direct beneficial		Indirect beneficial		Associates	
	Number	% holding	Number	% holding	Number	% holding
2021						
Executive directors						
JA Copelyn	-	-	6 490 077	7.6	-	-
JR Nicolella	152 097	0.2	-	-	13 235	-
TG Govender	-	-	17 250	-	915 534	1.1
Y Shaik	75 475	0.1	-	-	-	-
Non-executive directors						
L McDonald	1 100	-	-	-	-	-
	228 672	0.3	6 507 327	7.6	928 769	1.1
2020						
Executive directors						
JA Copelyn	-	-	6 468 177	7.5	-	-
JR Nicolella	52 097	0.1	-	-	13 235	-
TG Govender	-	-	17 250	-	915 534	1.1
Y Shaik	8 808	-	-	-	-	-
Non-executive directors						
L McDonald	1 100	-	-	-	-	-
	62 005	0.1	6 485 427	7.5	928 769	1.1

Other than as noted there were no changes in directors' shareholdings between 31 March 2021 and the date of issue of this report.

		Board fees R'000	Salary R'000	Other benefits R'000	IFRS 2 expense R'000	Bonus R'000	Total R'000
DIRECTORS' EMOLUMENTS							
Year ended 31 March 2021							
Executive directors							
JA Copelyn		-	7 696	-	6 081	-	13 777
JR Nicolella		-	4 800	-	3 156	-	7 956
TG Govender		-	2 003	-	2 629	-	4 632
Y Shaik		-	3 976	-	2 619	-	6 595
Non-executive directors							
MH Ahmed*	1	715	-	-	-	-	715
MSI Gani**	2	611	-	-	-	-	611
MF Magugu	3	409	-	-	-	-	409
L McDonald	4	324	1 138	63	-	-	1 525
SNN Mkhwanazi-Sigege		324	-	-	-	-	324
VE Mphande	5	1 165	-	-	-	-	1 165
JG Ngcobo	6	741	-	-	-	-	741
R Watson	7	1 209	-	-	-	-	1 209
		5 498	19 613	63	14 485	-	39 659

* Appointed 7 September 2020
** Resigned 7 September 2020

(1) Includes R92 100 audit and risk committee fees and R439 000 board fees paid by subsidiary companies

(2) Includes R71 149 audit and risk committee fees and R398 000 board fees paid by subsidiary companies

(3) Includes R84 900 remuneration committee fees

(4) Salary and other benefits paid by subsidiary companies

(5) Includes R841 000 board fees paid by subsidiary companies

(6) Includes R60 900 audit and risk committee fees, R60 900 remuneration committee fees, R40 000 social and ethics committee fees and R256 000 board fees paid by subsidiary companies

(7) Includes R60 900 audit and risk committee fees, R60 900 remuneration committee fees, R40 000 social and ethics committee fees and R724 000 board fees paid by subsidiary companies

REPORT OF THE REMUNERATION COMMITTEE
(CONTINUED)

		Board fees R'000	Salary R'000	Other benefits R'000	IFRS 2 expense R'000	Total R'000
DIRECTORS' EMOLUMENTS						
Year ended 31 March 2020						
Executive directors						
JA Copelyn		-	7 696	-	5 397	13 093
JR Nicolella*		-	4 000	-	2 152	6 152
TG Govender		-	1 965	-	2 373	4 338
Y Shaik		-	3 976	-	2 017	5 993
Non-executive directors						
MSI Gani	1	1 113	-	-	-	1 113
MF Magugu	2	397	-	-	-	397
L McDonald****	3	-	201	38	45	284
SNN Mkhwanazi-Sigege***		187	-	-	-	187
ML Molefi**	4	142	-	-	-	142
VE Mphande	5	1 207	-	-	-	1 207
JG Ngcobo	6	1 302	-	-	-	1 302
CC September**		51	-	-	-	51
R Watson	7	1 318	-	-	-	1 318
		5 717	17 838	38	11 984	35 577

* Appointed 22 May 2019
** Resigned 22 May 2019
*** Appointed 2 September 2019
**** Appointed 19 March 2020

(1) Includes R143 795 audit and risk committee fees and R655 000 board fees paid by subsidiary companies
(2) Includes R82 508 remuneration committee fees
(3) Paid by subsidiary companies
(4) Includes R19 084 audit and risk committee fees, R19 084 social and ethics committee fees and R27 000 board fees paid by subsidiary companies
(5) Includes R893 000 board fees paid by subsidiary companies
(6) Includes R106 345 audit and risk committee fees, R25 445 remuneration committee fees, R25 445 social and ethics committee fees and R830 000 board fees paid by subsidiary companies
(7) Includes R80 900 audit and risk committee fees, R40 058 remuneration committee fees and R883 000 board fees paid by subsidiary companies

MF Magugu
Chairperson: remuneration committee
27 July 2021

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

Chairperson: Mr JG Ngcobo
Members: Mr JA Copelyn and Ms RD Watson

INTRODUCTION

The HCI Social and Ethics Committee has pleasure in submitting this report in respect of the past financial year.

The Committee is a statutory committee constituted in terms of the Companies Act to assist the board in monitoring the company's performance as a good and responsible corporate citizen. This report by the committee is prepared in accordance with the requirements of section 72(4) to section 72(10) of the Companies Act (No. 71 of 2008), as amended (Companies Act), and regulation 43 to the Act and describes how the committee has discharged its duties in respect of the financial year ended 31 March 2021.

COMPOSITION

The members of the committee, as appointed by the board, comprise two independent non-executive directors, Mr JG Ngcobo (chairperson) and Ms RD Watson, and the Chief Executive Officer, Mr JA Copelyn. To ensure that the committee fulfils its responsibilities, the composition of the committee has been expanded by inviting several personnel from within the company to join the committee, who are the drivers of the underlying functions of the committee. In line with the Companies Act, the invitees do not have voting powers. The board is of the opinion that the composition of the committee is satisfactory to discharge the committee's roles and responsibilities.

In terms of the committee's mandate, the committee holds a minimum of two meetings per year. Additional meetings are held on request of any member.

The table below records the attendance of the members at meetings:

Committee member	No of meetings	Attendance of members
JA Copelyn	2	2
JG Ngcobo	2	2
RD Watson	2	2

ROLES AND FUNCTION

There were no amendments to the committee's mandate during the year. The committee continues to review and report to the board on the sustainable development of the group and particularly:

- Black Economic Empowerment;
- Environmental impact especially carbon emissions and water use;
- Social development programmes through the HCI Foundation;
- Health and safety; and
- Compliance with legal and regulatory requirements

The social and ethics report of the company and of the group is set out on pages 52 to 58.

CONCLUSION

The HCI social and ethics committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period. The committee has fulfilled it mandate as prescribed by the Companies Act and confirms there are no instances of material non-compliance.

Mr JG Ngcobo
Chairperson - social and ethics committee
27 July 2021

Broad-based Black Economic Empowerment ("B-BBEE")

HCI is one of the most empowered companies on the JSE. The company has its roots in the trade union movement, and we are committed to broad based Black Economic Empowerment. The Southern African Clothing and Textile Workers' Union continues to be a major shareholder of HCI, benefitting more than 100 000 clothing and textile workers and enabling the Union to run substantial social programmes for its members.

HCI joined with a number of broad based BEE entities who consider themselves to be pioneers in the establishment of B-BBEE vehicles in engaging with the BEE commissioner over her adamant refusal to accept collective Black ownership as an acceptable form of Black empowerment. The Commissioner has taken this view despite the obvious intention of the law to promote broad based entities. The Commissioner however is largely indifferent to the extent to which such entities distribute benefits to Black people, create jobs and otherwise benefit Black people.

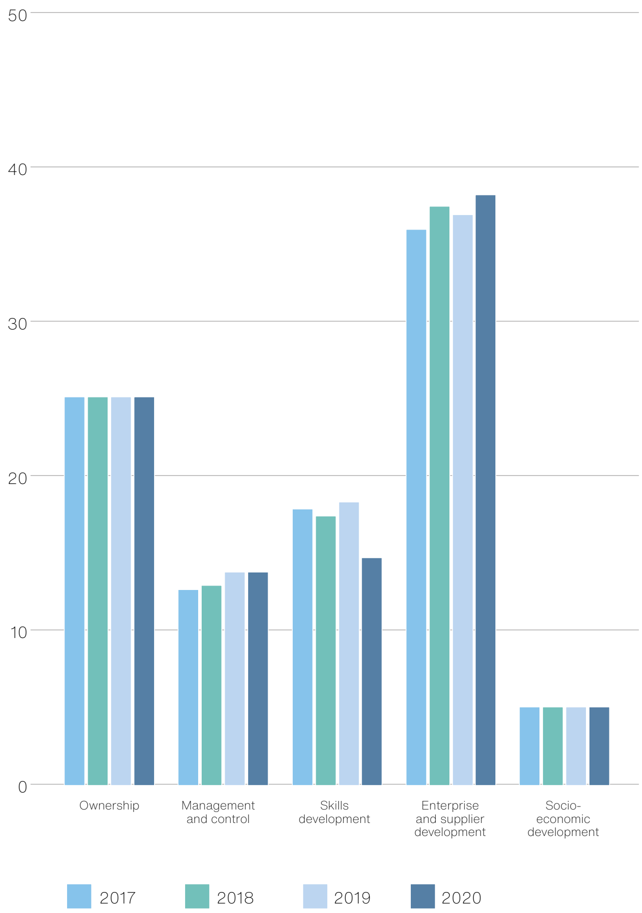
Likewise the Commissioner is largely indifferent to whether such entities are controlled by Black people. Her sole concern appears to be whether such entities are owned by Black individuals.

A great many institutions such as unions, churches, voluntary associations, foundations and trusts do not have conventional "owners" and are accordingly barred from consideration as BEE entities by the Commissioner.

Happily the Minister of Trade, Industry and Competition published a Practise Note on 18 May 2021 in which the status of broad based groups was clarified. The Note makes it clear that broad based groups such as ourselves are legitimate Black owners and we trust that the Commission will abide by this determination. We view ourselves as pioneers of Black Economic Empowerment and we believe that broad based groupings like ourselves represent the essence of the empowerment project. We hope that in time the Commission will view us as allies in the process of broadening asset ownership in South Africa.

Element	Maximum score	Actual score
Ownership	25,00	25,00
Management Control	19,00	13,81
Skills Development	20,00	14, 84
Enterprise and Supplier Development	40,00	37,77
Socioeconomic Development	5,00	5,00
Overall score	111,00	96,42

At the time of writing this report, the group is in the process of completing its 2021 verification. On finalisation of this process, the B-BBEE certification will be published on our website, www.hci.co.za.



Fraud and whistleblowing:

During the period under review no instances of fraud requiring action at a group level were raised or identified.

The committee is satisfied that the company has made adequate and appropriate provision for whistleblowing.

Ethics:

No material incidents and issues were brought to the attention of the committee and no unethical behaviour was noted during this period.

Diversity policy:

HCI adopted a gender and race diversity policy at board level in FY2019. At the date of adopting this Policy, the board's aim is to ensure that the board will comprise of at least 25% female directors and will at all times have a majority of directors who are "black people" as defined in the Broad-Based Black Economic Empowerment Act, 2003, as amended.

At 31 March 2021, the board is comprised of 27% women and 73% of the directors are classified as "black people".

Compliance:

The group operates in a highly regulated environment. Where necessary, compliance officers have been appointed at each of the group's key operating subsidiaries and associated company levels for ensuring adherence to the various laws and regulations.

The committee is responsible for reviewing any major breach of relevant legal and regulatory requirements. The committee is satisfied that there has been no material non-compliance with laws and regulations.

The committee is also satisfied that it has complied with all its legal, regulatory and other responsibilities during the year under review.

Employment practices:

The company seeks to offer employment to newcomers in compliance with laws and codes regulating employment. As an investment holding company, HCI has a relatively small staff complement, with fewer than 50 employees. The majority are long-serving employees, with minimal rate of staff turnover. The company aims to remunerate its employees fairly and competitively, according to their capabilities, skills, responsibilities and performance levels.

HCI believes that all employees are entitled to equal opportunities to advance their careers and accordingly, it does not allow discrimination against employees based on gender, race, religion or any other factor in relation to such opportunities.

ENVIRONMENTAL SUSTAINABILITY

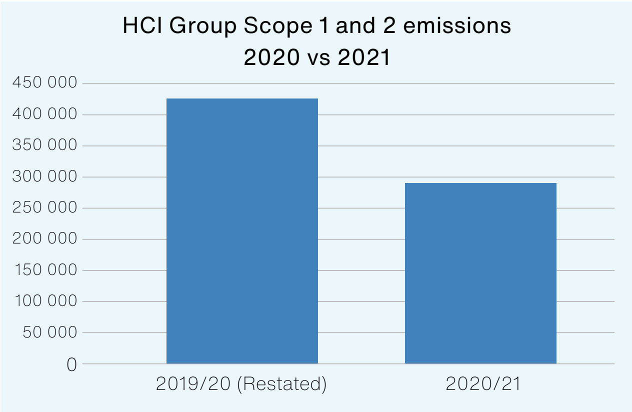
HCI's drive to combat climate change is focused on actively seeking and implementing solutions to reduce our carbon emissions across the HCI gGroup. We are also working to reduce water usage, especially in the Western Cape. HCI reports annually to the Carbon Disclosure Project, an independent international platform for reporting corporate environment impact. HCI reports on both carbon emissions and water consumption.

Carbon emissions:

HCI reports on the Scope 1 and 2 emissions of all of its subsidiaries. Scope 1 emissions are direct emissions produced by the reporting entity and are generally associated with the combustion of fossil fuel. Scope 2 emissions are indirectly derived from energy supplied by third parties and principally consist of emissions associated with the use of electricity. Scope 3 consists of indirect impact comprising carbon emitted in the product value chain but not directly produced by the company. Scope 3 emissions are reported on a voluntary basis to the CDP but not included in the figures reported here.

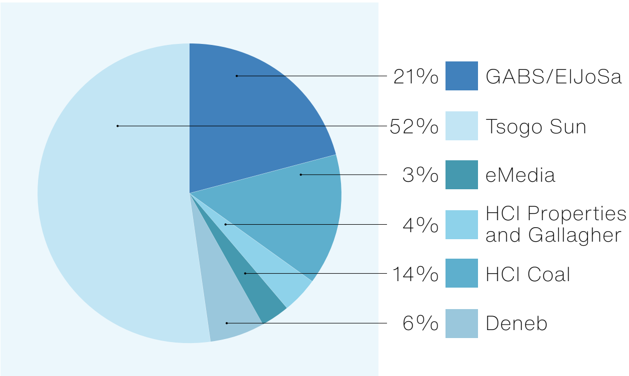
Each year we restate our baseline to take account of structural changes that have taken place over the past year, such as the disposal or acquisition of assets. This restatement is calculated in terms of the Greenhouse Gas Protocol. Restatements this year amount to less than 1% of emissions. Where inter-year comparisons are made in the figures below, these are based on the restated 2020 figures.

2021 emissions were heavily impacted by COVID-19 associated restrictions. Many of our businesses were forced to close temporarily or to reduce trading activities. This is demonstrated clearly in our carbon emissions this year. The HCI group's total Scope 1 and 2 emissions for 2021 amount to an estimated 289 674 tonnes of CO_2, which is a 32% decrease from 2020. Scope 1 emissions fell by 28% whereas Scope 2 declined by 34%.



Over the longer term we have been reducing our emissions marginally each year, reflecting improved efficiency in our equipment and improved management of our resources. In particular, we have reduced fuel usage per kilometre and per passenger in Golden Arrow buses and we have improved the efficiency of various industrial processes in Deneb subsidiaries. We have reduced our electricity use in our hotels and casinos and in our properties in general. This year's result is specifically related to the unusual circumstances we faced.

The proportion of emissions contributed by various subsidiaries did not change substantially compared with 2020. Within the HCI group, the largest producers of carbon emissions are Tsogo Sun ("Tsogo Sun Gaming and Tsogo Sun Hotels"), HCI Coal, Golden Arrow Bus Services and Deneb.



For the year under review:

- Tsogo Sun was responsible for a total of 149 883 tons of carbon which is a 40% reduction over 2020. This reflects the temporary closure of many Tsogo Sun facilities during the year.
- HCI Coal emitted a total of 40 387 tons of carbon, a reduction of 17%. HCI Coal uses diesel to power its mining vehicles and uses both diesel and electricity in its processing plants (washing, crushing and screening). HCI Coal sold Mbali mine during the last quarter of the financial year and also saw a reduction in output at the Palesa mine as a result of restrictions.
- The Deneb group includes industrial manufacturing, textile manufacturing as well as industrial properties. In the year under review, Deneb was responsible for 19 009 tons of carbon. A reduction of 13%. Deneb's baseline figure was reduced as a result of the sale or closure of some of its manufacturing facilities.
- Golden Arrow Bus Services (GABS) and sister company Eljosa were responsible for 61 938 tons of carbon generated through the use of diesel to power their buses, a reduction of 27%. This is in line with reduced kilometres travelled. Fuel efficiency increased marginally.

Various HCI subsidiaries continue with their efforts to reduce their emissions. The Property division has made significant progress in the use of rooftop solar energy and intends to expand this further. Tsogo Sun is considering a pilot project at one of its casinos and has great potential to install renewable energy particularly in the Gaming division where rooftop space lends itself to such projects.

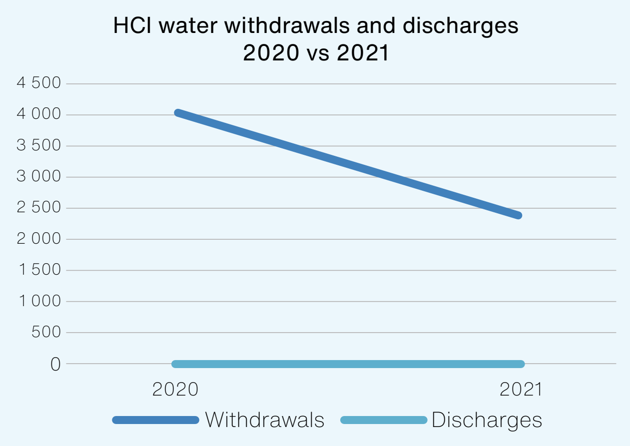
Golden Arrow Bus Services has taken huge strides in its renewable energy journey. Not only are two of its depots carbon neutral (as a result of solar installations), but the company is now testing two electric buses for a 12-month period. This project, in partnership with bus manufacturer BYD and Government initiative uYilo eMobility Programme, will ultimately produce a feasibility report which will be made available to industry to assist other bus companies to decide whether electric vehicles would be suitable for their operations . Results are very encouraging so far and the two vehicles are now being used in active service.

Water use and water discharge:

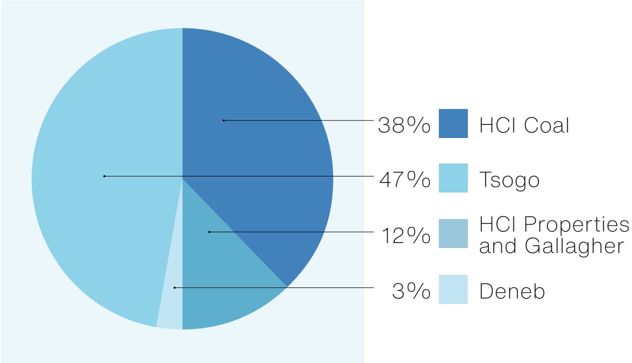
South Africa is a water scarce country facing growing demands on our limited water resource. HCI takes its water conservation responsibilities seriously, reporting on both water use as well as water discharge from our various facilities.

HCI's total water withdrawals for FY2021 amounted to 2 383 million. This represents a decrease of 40% over 2020 and is related to the temporary closure of many facilities as a result of COVID-19 restrictions.

HCI Group's total water discharges for 2021 amounted to 36 megalitres. This is very similar to 2020 once the 2020 figure has been restated to account for closure or sale of assets (HCI Coal, Deneb) and addition of new facilities (Tsogo Sun Hotels). The reason that discharges did not decrease in line with water withdrawals relates to the fact that the major discharging facilities (mostly Deneb's manufacturing facilities), experienced less disruption that the large water consumers (such as Tsogo Sun).



The largest water users in the HCI Group are Tsogo Sun, HCI Coal, Deneb and HCI Properties as can be seen in the graph below.



Tsogo is the largest water user in the group but has reduced its water use steadily especially in the Cape Town area where the company now runs a desalination plant that draws in groundwater and seawater and purifies it for various uses. HCI Coal is also a significant water user, but most of its water comes from the mine pits as well as from boreholes and stormwater. GABS draws mostly on boreholes for bus washing facilities.

The only HCI company that produces significant water discharges is Deneb. These are associated with manufacturing facilities and are carefully managed. The two major contributors to water discharges in the Deneb Group are Formex and Gold Reef Chemicals, both of which sustained their production levels during the year despite COVID-19 disruptions. Effluent discharges are regulated by the Department of Water Affairs and local authorities and are monitored internally.

CORPORATE SOCIAL INVESTMENT

Financial year 2021 was an extraordinarily difficult one for ourselves and our beneficiaries. For the year under review, the Foundation supported 65 grant beneficiaries and 203 bursary recipients.

Following the first lockdown at the end of March, projects had to re-invent themselves in line with COVID-19 protocols to keep delivering their services. The Foundation assisted by bringing organisations together in online workshops to share their experiences of re-imagining their work.

We conducted virtual site visits to stay in touch with the challenges experienced by our beneficiaries and were impressed by their creative and flexible problem-solving approach. This produced valuable, unforeseen benefits, the learnings from which have since been integrated into ongoing programme practice.

In this report, we focus primarily on the adaptive efforts made by educational programmes, from Early Childhood Development "ECD" to Tertiary, to use precious learning time optimally under difficult circumstances.

EARLY CHILDHOOD DEVELOPMENT ("ECD")

Putting parents at the centre of children's education

COVID-19 and lockdown brought ECD organisations to the brink of collapse as parents were no longer able to pay fees and the Government stimulus package was not paid to practitioners. The sector marshalled a unified, holistic response, which included advocacy for government subsidies to ECD centres and the provision of food parcels, masks and sanitisers to communities in need, thus enabling the safe re-opening of ECD centres and schools. This experience has resulted in a strengthened, highly collaborative national network of ECD organisations, eleven of which we supported during the last year. The work of two of them is highlighted below.

Wordworks – Eastern and Western Cape

Wordworks focuses on the development of early language and literacy during the first eight years of life. The Little Stars Open Educational Resource Programme aims to strengthen the teaching of pre-Grade R language and literature through its multi-lingual, story-based training programme.

Following lockdown, the online training-of-trainers course supported home-based learning in four languages. With children out of school for an extended period, parents and carers became the centre of their children's education. Mini-lessons for home use were widely circulated, ensuring that learning and stimulation continued at home. The online training course had the additional lasting benefit of helping Wordworks extend its reach beyond the Eastern and Western Cape in a cost-effective way.

Centre for Social Development ("CSD") – Eastern Cape

The CSD provides an interface between Rhodes University and the surrounding communities. Its community-centred programmes offer a holistic approach to early childhood development during the first nine years of life. The Foundation supported the Ezinkwenzini project, through its Excellence in ECD programme.

In response to COVID-19, the CSD's Community Team shifted its focus to home stimulation, recognizing that parents and carers are the first teachers of children and that their involvement with their children's learning could be fun for everyone.

ECD literacy and numeracy materials and safety information were distributed to as many homes as possible and learning resources were also promoted via local radio. Alongside distributing food to families in need, these activities continue to be a core function of the CSD's Community Team.

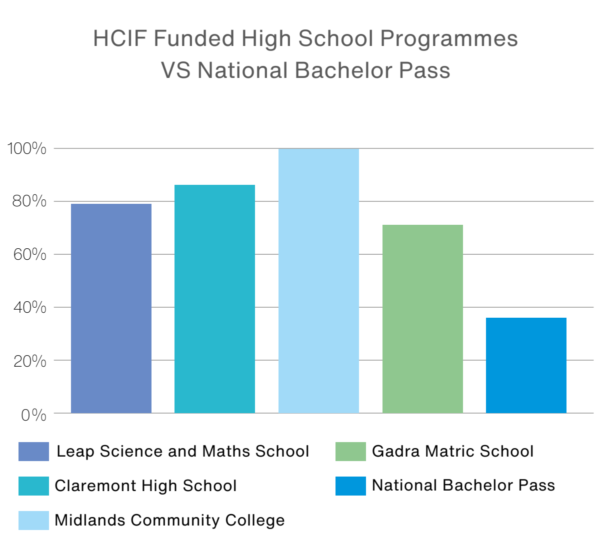
HIGH SCHOOL PROGRAMMES

Ensuring that no learner is left behind

The four High School programmes supported by the Foundation help young people from disadvantaged communities to access Tertiary education and further learning opportunities.

The pass rates of our 4 supported schools are compared with the national average in the accompanying table (percentages are rounded up to the nearest whole number).

The highlighted organisations show how quickly two individual programmes adapted to COVID-19 conditions by merging online and offline teaching methods, providing food parcels, data and psychosocial support to assist learners beyond just their educational needs.



GADRA Matric School ("GMS") – Eastern Cape

GMS is a second chance matric programme. The organisation is the leading feeder school for Rhodes University.

For the 2020 school year, 144 (71%) out of 204 GADRA learners achieved Bachelor passes, with more than 70 accepted at Rhodes University to further their studies. A record number of over 50 GADRA alumni graduated from Rhodes University in a single graduation ceremony during April of 2021, a truly astounding achievement.

This triumph emerges from the dedicated and strategic focus of GADRA education management, staff, and students. This recent milestone is especially significant because it was achieved despite the massive academic challenges associated with the COVID-19 and lockdown.

Claremont High School – Western Cape

Claremont high School is a Government Mathematics and Science Focus High School founded as a pilot project in 2011 to provide a quality education to students from disadvantaged backgrounds.

The school has achieved remarkable academic success over the last 10 years and is consistently placed amongst the top 20 Western Cape schools, in 2020 achieving 9th place for Physical Science.

COVID-19 meant that learners and staff had to adapt quickly to online learning, and to the additional challenges of limited family resources. The school provided 150 families with weekly food parcels and 130 pupils with weekly data for online learning. Tight financial controls have protected the school's 1:35 staff/student ratio which has been maintained in 2021.

SUPPORT FOR TEACHERS

Classroom focused support for maximum impact

The Foundation supported 4 teacher development and training organisations in the year under review.

The organisation showcased below demonstrates how teachers were supported in the difficult task of maintaining teaching standards whilst adapting to the new normal brought about by COVID-19.

The Newly Qualified Teachers Project ("NQT")
University of Cape Town – Western Cape

The NQT, located within UCT's School of Education, aims to reduce the high exit rate of first year teachers from Government schools in South Africa by providing help to newly qualified teachers through workshop programmes, online resources, school visits, and mentorship by experienced teachers.

The number of teachers enrolled for NQT remained constant in 2020 and all participants stayed in the profession during a very challenging year, describing the course and the network of support as "a lifeline".

In the Western Cape, 363 teachers received direct support through the programme, with 1 311 teachers nationwide benefiting from resource assistance. We are immensely proud of the 20 teachers who graduated from the programme in November 2020.

CORPORATE SOCIAL INVESTMENT (CONTINUED)

TERTIARY STUDENTS

Staying in touch with our bursary recipients

The pandemic produced enormous challenges for students studying at tertiary level, demanding a high level of maturity and self-motivation from them. We stayed in touch with our bursary students through online workshops, surveys and one to one mentoring.

Many students revealed that they were struggling with a sense of isolation and anxiety and other mental health issues. Being distanced from university also led to a lack of educational guidance and an inability to access data, as well as missed contact with peers. The interpersonal support we offered students was particularly meaningful and important for them during this time.

Hand in hand with their own determination to succeed, a focus on resilience and problem solving led to 125 (67%) of the 203 strong 2020 student cohort successfully graduating.

The Foundation's Graduate Development and Alumni programmes also maintained contact with ex-students during this period. To date the Foundation has placed 55 of our graduates in HCI companies and partner NGOs; of these, 13 have secured permanent employment.

COVID-19 AND FOOD SECURITY

As the devastating impact of COVID-19 and lockdown on the communities we serve became clear, the Foundation worked on a fundraising campaign in partnership with eMedia and with 269 partner NGOs to provide much needed food relief. 65 000 households and an estimated 260 000 individuals in extreme need were reached as a result of this campaign.

Whilst this intervention undoubtedly helped to fill a gap in the short term, we realised that a more sustainable initiative was necessary. The level of hunger in our society confirmed the urgent need for us to find ways to support communities to grow food on a small to medium scale.

As a result, the Foundation has begun working with a limited group of partner organisations in the food security field who can help us understand the issues at stake and who will be our implementation partners in this project.

This strategic vision forms the basis of a new pivotal programme in the Foundation for the next three years. At the current time we are in the implementation phase of our Sustainable Food Security Programme together with 5 implementing partners in three provinces. This is an exciting growth area for the Foundation and will be reported on in the year ahead.

DIRECTORS' REPORT

1. **Nature of business**

   Hosken Consolidated Investments Limited ("HCI") is an investment holding company, incorporated in South Africa and listed on the JSE Limited.

2. **Operations and business**

   The business operations of HCI include the making of investments in opportunities as identified by the board of directors and the adding of value to these investments over time. As such, HCI has itself consciously established and pursued an investment policy in terms of which it has endeavoured to maintain significant equity and capital participation in entrepreneurially-run companies with significant growth potential. The investments are constantly reviewed and new ones sought to complement them. On 30 September 2020 the boards of directors of Hospitality Property Fund ("HPF") and Tsogo Sun Hotels Limited ("THL") approved a transaction by which THL offered to acquire all of the ordinary shares in the issued share capital of HPF, other than those shares already owned by THL, its subsidiaries and treasury shares ("the Offer"). The consideration in respect of the Offer was settled at a ratio of 1.77 shares for every one HPF share acquired by THL. Following the failure of the proposed scheme of arrangement, a general offer was implemented in December 2020, the consequence of which was that the group's exercisable voting rights in THL decreased to 41%. As a result, the group was considered to have lost control of THL on 24 December 2020 with the group's investment in THL subsequently accounted for as an investment in associate (refer note 6 in the annual financial statements).

   Refer to pages 16 to 33 of the integrated annual report for an overview of operations for the year under review.

3. **Share capital**

   Details of the authorised and issued share capital are set out in note 17 of the annual financial statements.

4. **Directorate**

   Details of the directors of the company appear in the Corporate Administration section of this report.

   The following changes were made to the directorate:

Director	Date of appointment	Date of resignation
MSI Gani	30 August 2016	7 September 2020
MH Ahmed	7 September 2020	-

5. **Composition of the board**

   The board has assumed responsibility, in line with the board charter, for the composition of the board by ensuring diversity, gender parity, skills, knowledge and resources to effectively discharge its governance role and responsibilities and carry out all its duties.

   At 31 March 2021 the board was comprised of eleven (11) members which included four (4) executive directors, two (2) non-executive directors and five (5) independent non-executive directors. There is a clear balance of power and authority at the board of directors' level.

   The board is chaired by Mr VE Mphande, an independent non-executive director, who is not a former CEO of the company. There is a clear division of responsibilities between the chairman and chief executive officer. The board does not deem it necessary to appoint a lead independent director.

Board member	Number of board meetings	Attendance of members
MH Ahmed	2	2
JA Copelyn	4	4
MSI Gani	2	1
TG Govender	4	4
MF Magugu	4	4
L McDonald	4	4
SNN Mkhwanazi-Sigege	4	4
VE Mphande (chair)	4	4
JG Ngcobo	4	4
JR Nicolella	4	4
Y Shaik	4	4
RD Watson	4	4

6. **Dividends**

   Due to the impact of the COVID-19 pandemic on the group's operations and the requirement to preserve cash resources, no dividend was declared during the year under review.

7. **Gender diversity**

   The board of directors has adopted a policy on gender diversity at board level and agreed on voluntary targets. The board has reached its gender target of 25% women.

8. **Race diversity**

   The board of directors has adopted a policy on race diversity at board level. The voluntary target was set at a majority of members being people classified as 'black'. 73% of the members of the board are classified as 'black'.

9. **Company secretary**

   HCI Managerial Services Proprietary Limited held the office of the company secretary for the twelve months ended 31 March 2021. The secretarial department is under the supervision of Cheryl Philip (FCIS) who is empowered, and authorised, to provide corporate governance services to the board and management. The board has evaluated the performance and independence of the company secretary during the period under review and it is satisfied that the company secretary is competent and has the appropriate qualifications and experience required by the group to administer the secretarial obligations of the company. The secretary has an arm's-length relationship with the board of directors.

The name, business and postal address of the company secretary are set out in the Corporate Administration section of this report.

10. Financial director

Mr JR Nicolella is the full-time executive financial director of the company.

11. Auditors

Subject to shareholder approval BDO South Africa Incorporated will continue in office in accordance with section 90 of the South African Companies Act for the 2022 financial year with Mr Theunis Schoeman as the designated auditor.

12. Auditor's report

The consolidated and separate annual financial statements, from which these summarised financial statements have been extracted, have been audited by BDO South Africa Incorporated and their unqualified audit report is included on pages 10 to 17 of the annual financial statements.

13. Significant shareholders

The company's shareholders that own more than 5% of the issued shares are Southern African Clothing and Textile Workers' Union, Chearsley Investments Proprietary Limited and Squirewood Investments 64 Proprietary Limited who own 26.7%, 7.6% and 5,3% respectively. No shareholder has a controlling interest in the company.

14. Special resolutions

The following special resolutions were passed by the company's shareholders at the annual general meeting of shareholders held on 15 October 2020:

- granting the directors the authority, subject to the provisions of the Act and the provisions of the JSE Listings Requirements, to allot and issue ordinary shares of the company (or to issue options or securities convertible into ordinary shares) for cash to such person or persons, on such terms and conditions as they may deem fit. The aggregate number of ordinary shares to be allotted and issued for cash is limited as set out in the resolution;
- approval of the fees payable to non-executive directors for their services as directors or as members of the board sub-committees in respect of the financial period 1 October 2020 until the next annual general meeting of the company;
- granting the company and the subsidiaries of the company a general authority contemplated in terms of paragraph 5.72 of the JSE Listings Requirements, for the acquisition by the company, or a subsidiary of the company, of ordinary issued shares issued by the company; and
- general authorisation of financial assistance to the extent required by sections 44 and 45 of the Act, the board of directors of the company may, subject to compliance with the requirements of the company's MOI and the Act, authorise the company to provide direct or indirect financial assistance by way of a loan, guarantee, the provision of security or otherwise, subject to the provisions as set out in the resolution.

15. Special resolutions of subsidiaries

The statutory information relating to special resolutions passed by subsidiaries is available from the registered office of the company.

16. Shareholding of directors

The shareholding of directors of the company and their participation in the share incentive scheme of the company as at 31 March 2021 are set out in the remuneration report in the integrated annual report on page 48 and in notes 43 and 42 of the annual financial statements respectively.

17. Directors' emoluments

Directors' emoluments incurred by the company and its subsidiaries for the year ended 31 March 2021 are set in note 44 of the annual financial statements.

18. Subsidiaries

Details of the company's subsidiaries are set out in annexure A to the annual financial statements.

19. Borrowing powers

There are no limits placed on borrowing in terms of the memorandum of incorporation. Certain companies in the group have entered into various loan agreements with providers of loan finance. These loan agreements include various covenants and undertakings by companies in the group which may restrict the group's borrowing powers. Details of these covenants and undertakings are available from the registered office of the company.

20. Litigation statement

There are no material legal or arbitration proceedings (including proceedings which are pending or threatened of which the directors of HCI are aware) which may have or have had, during the 12-month period preceding the last practicable date, a material effect on the financial position of HCI.

21. Material change

There has been no material change in the financial or trading position of the HCI group since the publication of its provisional results for the year ended 31 March 2021.

22. Events subsequent to reporting date

Events that occurred subsequent to the reporting date are set out in note 50 of the annual financial statements.

23. Going concern

The outbreak of COVID-19 has severely affected the South African economy and the group's operations, specifically those of its hotel and gaming interests. In preparing the cash flow forecasts utilised to assess going concern, the impact of the COVID-19 pandemic on the group's operations and liquidity was considered. The directors have assessed these cash flow forecasts together with the other actions taken or proposed and are of the view that the group has sufficient liquidity to meet its obligations as currently foreseen in the next financial year. Details of the impact of COVID-19 on the group's operations and liquidity are presented in note 51 of the annual financial statements.

BOARD APPROVAL

The directors of Hosken Consolidated Investments Limited ("HCI or the company") acknowledge responsibility for the integrity of the summarised annual financial statements. The board of directors, supported by the audit and risk committee endorsed the reporting frameworks utilised in this report and approved the material matters determined by management. The directors have applied their minds to the report and believe that it covers all material matters, that the information contained in this report is reliable and that it fairly presents the performance of the company.

VE Mphande
Chairperson

JA Copelyn
Chief Executive Officer

DECLARATION BY COMPANY SECRETARY

Hosken Consolidated Investments Limited ("HCI") has complied with all statutory and regulatory requirements in accordance with the Financial Markets Act, and all directives issued by the Financial Sector Conduct Authority.

In terms of section 88 of the Companies Act, as amended, I hereby confirm that HCI has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

HCI Managerial Services Proprietary Limited

HCI Managerial Services Proprietary Limited
Group Company Secretary

SHAREHOLDERS' SNAPSHOT

Analysis of shareholders

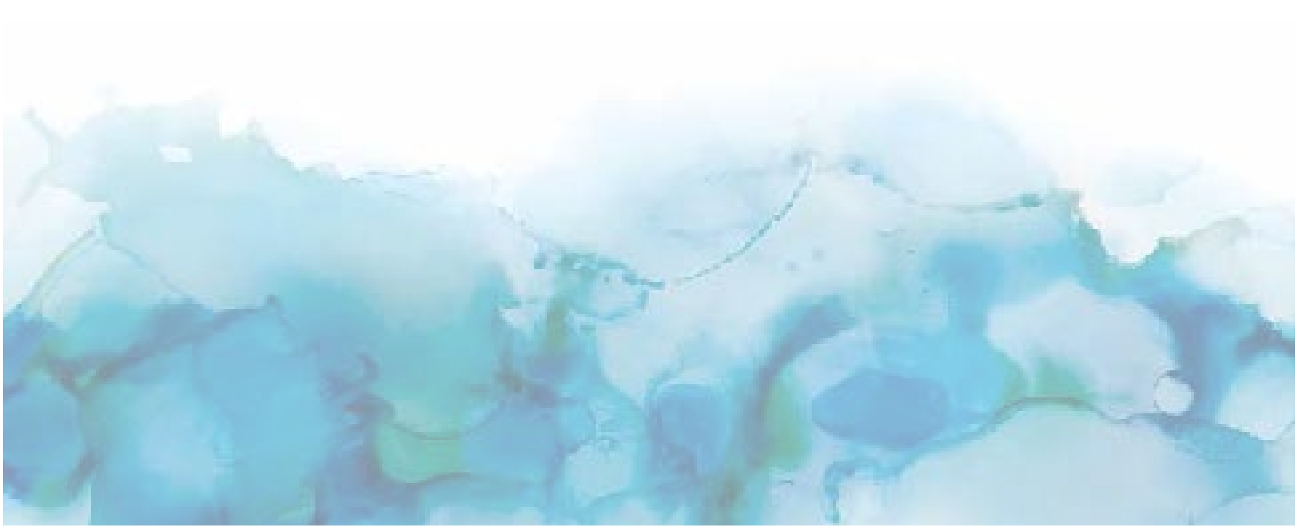
Listed below is an analysis of shareholdings extracted from the register of ordinary shareholders at 31 March 2021.

Range of holdings

Share Range			Number of shareholders	% of current shareholders	Number of shares	% of Issued Capital
1	–	1000 shares	2301	73.1	517 214	0.6
1 001	–	10 000 shares	542	17.2	1 906 644	2.2
10 001	–	50 000 shares	178	5.6	3 810 342	4.5
50 001	–	100 000 shares	41	1.3	2 861 476	3.3
100 001	–	500 000 shares	66	2.1	13 659 218	16.0
500 001	–	1 000 000 shares	11	0.3	8 083 361	9.4
1 000 001	–	shares and over	13	0.4	54 782 393	64.0
			3 152	100.0	85 620 648	100.0

Type of shareholder

Banks and custodians	59	1.9	7 635 210	8.9
Close Corporation	9	0.3	6 806	0.0
Individual	2 371	75.2	6 056 117	7.1
Other Corporation	168	5.3	32 969 113	38.5
Pension, Provident, Retirement and Other Funds	205	6.5	15 265 849	17.8
Private company	81	2.6	18 800 716	22.0
Public company	34	1.1	2 622 064	3.1
Trust	225	7.1	2 264 773	2.6
	3 152	100.0	85 620 648	100.0



Shareholdings greater than 5%

	2021	2020
Southern African Clothing and textile Workers Union	26.7	28.5
Chearsley Investments Proprietary Limited	7.6	-
Ronaldgate Proprietary Limited	-	7.5
Squirewood Investments 64 Proprietary Limited*	5.3	5.3
	39.6	41.3

** Treasury shares*

Shareholder spread

	Percentage held		Number of shareholders	
	2021	2020	2021	2020
Public	58.7	57.2	3 141	3 398
Non public	41.3	42.8	11	12
Directors	7.9	7.6	4	5
Associates of directors	1.1	1.1	3	3
Significant shareholder	26.7	28.5	1	1
Share trust	0.2	0.2	1	1
Treasury shares	5.4	5.4	2	2
	100.0	100.0	3 152	3 410

Stock exchange performance	31 March 2021
Total number of shares traded ('000)	29 154
Total value of shares traded (R'000)	1 036 676
Market price (cents per share)	
- High	7 250
- Low	1 600
- Closing	6 352
Market capitalisation (R'000)	5 136 871

SUMMARISED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

SUMMARISED STATEMENT OF FINANCIAL POSITION

	31 March 2021 R'000	31 March 2020* R'000
ASSETS		
Non-current assets	40 424 198	54 304 599
Property, plant and equipment	16 610 166	25 686 739
Right-of-use assets	353 250	1 172 047
Investment properties	5 381 333	9 344 524
Goodwill	3 872 534	3 943 166
Investments in associates and joint arrangements	3 573 978	2 977 772
Other financial assets	1 031 565	1 036 987
Intangible assets	9 177 953	9 424 800
Deferred taxation	340 893	467 886
Other	82 526	250 678
Current assets	5 340 741	10 206 306
Inventories	620 913	1 054 443
Programme rights	1 074 631	845 355
Other financial assets	-	37 823
Trade and other receivables	1 765 538	2 441 634
Taxation	117 778	142 019
Bank balances and deposits	1 761 881	5 685 032
Disposal group assets held for sale	188 221	381 371
Total assets	45 953 160	64 892 276
EQUITY AND LIABILITIES		
Equity	19 524 296	26 651 453
Equity attributable to equity holders of the parent	12 126 312	12 347 962
Non-controlling interest	7 397 984	14 303 491
Non-current liabilities	19 242 636	25 396 676
Deferred taxation	4 578 055	5 035 017
Borrowings	13 665 381	18 169 392
Lease liabilities	410 047	1 424 481
Provisions	70 604	218 324
Other	518 549	549 462
Current liabilities	7 168 563	12 738 104
Trade and other payables	2 520 716	2 933 215
Current portion of borrowings	3 919 533	5 195 377
Taxation	50 374	203 030
Provisions	169 539	311 194
Bank overdrafts	420 611	3 956 883
Other	87 790	138 405
Disposal group liabilities held for sale	17 665	106 043
Total equity and liabilities	45 953 160	64 892 276
Net asset carrying value per share (cents)	14 995	15 269

* *Restated*

SUMMARISED STATEMENT OF PROFIT OR LOSS

	% change	31 March 2021 R'000	31 March 2020* R'000
Revenue		8 191 095	10 543 821
Net gaming win		5 275 457	9 922 293
Property rental income		620 049	692 852
Income	-33.4%	14 086 601	21 158 966
Expenses		(10 992 350)	(15 568 605)
EBITDA	-44.7%	3 094 251	5 590 361
Depreciation and amortisation		(1 218 495)	(1 253 154)
Operating profit		1 875 756	4 337 207
Investment income		94 963	488 019
Finance costs		(1 522 090)	(1 910 955)
Share of profits/(losses) of associates and joint arrangements		2 045 952	(173 260)
Investment surplus		172 986	29 524
Fair value adjustment on associate on gaining control		-	9 163
Fair value adjustments on investment properties		(35 840)	(105 305)
Impairment reversals		208 739	-
Asset impairments		(33 756)	(9 407 224)
Fair value adjustments on financial instruments		129 445	(507)
Impairment of goodwill and investments		(1 564 723)	(20 582)
Profit/(loss) before taxation	120.3%	1 371 432	(6 753 920)
Taxation		(257 127)	1 732 172
Profit/(loss) for the year from continuing operations		1 114 305	(5 021 748)
Discontinued operations		(2 096 725)	(2 303 276)
Loss for the year		(982 420)	(7 325 024)
Attributable to:			
Equity holders of the parent		(960 014)	(3 805 278)
Non-controlling interest		(22 406)	(3 519 746)
		(982 420)	(7 325 024)

* Restated for discontinued operations.

SUMMARISED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

RECONCILIATION OF HEADLINE EARNINGS

	% change	31 March 2021 Gross R'000	31 March 2021 Net R'000	31 March 2020 Gross R'000	31 March 2020 Net R'000
Losses attributable to equity holders of the parent	-74.8%		(960 014)		(3 805 278)
Fair value adjustment on deemed disposal of associate		-	-	(9 163)	(5 691)
Impairment of goodwill		30 156	13 605	819 711	637 713
Gains on disposal of plant and equipment		(33 722)	(13 354)	(18 821)	(10 815)
Impairment of property, plant and equipment		41 604	24 108	1 053 239	425 908
Foreign currency translation and hedging reserves recycled		(80 935)	(80 935)	-	-
Losses/(gains) from disposal of subsidiaries		1 824 931	1 796 362	(254)	(1 599)
Gains on disposal of associates and joint arrangements		(396 754)	(201 704)	(28 524)	(12 400)
Impairment of associates and joint arrangements		1 565 702	1 424 031	28 259	14 523
Reversal of impairment of assets		(208 739)	(74 808)	-	-
Impairment of intangible assets		3 090	2 286	9 245 979	3 292 624
Losses on disposal of investment properties		350	240	49	89
Fair value adjustments on investment properties		35 840	13 819	993 218	352 749
Impairment of right-of-use assets		-	-	7 307	3 361
Insurance claims for capital assets		(8 656)	(5 122)	(6 828)	(3 815)
Remeasurements included in equity-accounted earnings of associates and joint arrangements		(1 847 538)	(1 705 817)	170 137	159 539
Headline profit	-77.8%		232 697		1 046 908

	% change	31 March 2021	31 March 2020
Basic (losses)/earnings per share (cents)			
(Losses)/earnings	-74.1%	(1 187.11)	(4 591.53)
Continuing operations		1 063.58	(2 990.61)
Discontinued operations		(2 250.69)	(1 600.92)
Headline earnings/(losses) per share (cents)	-77.2%	287.74	1 263.22
Continuing operations		609.56	1 313.07
Discontinued operations		(321.82)	(49.85)
Weighted average number of shares in issue ('000)		80 870	82 876
Actual number of shares in issue at the end of the year (net of treasury shares) ('000)		80 870	80 870
Diluted (losses)/earnings per share (cents)			
(Losses)/earnings	-74.1%	(1 187.11)	(4 591.53)
Continuing operations		1 063.58	(2 990.61)
Discontinued operations		(2 250.69)	(1 600.92)
Headline earnings/(losses) per share (cents)	-77.2%	287.74	1 263.22
Continuing operations		609.56	1 313.07
Discontinued operations		(321.82)	(49.85)
Weighted average number of shares in issue ('000)		80 870	82 876

SUMMARISED STATEMENT OF OTHER COMPREHENSIVE INCOME

	31 March 2021 R'000	31 March 2020 R'000
Loss for the year	(982 420)	(7 325 024)
Other comprehensive (loss)/income net of tax:		
Items that will subsequently be reclassified to profit or loss		
Foreign currency translation differences	(761 953)	780 591
Reclassification of foreign currency translation differences on disposal	(225 805)	-
Cash flow hedge reserve	(76 221)	(54 494)
Reclassification of cash flow hedge reserve on disposal	45 002	-
Share of other comprehensive losses of equity-accounted investments	(4 031)	(16 308)
Items that will not subsequently be reclassified to profit or loss		
Revaluation of owner-occupied land and buildings on transfer to investment properties	26 497	27 607
Actuarial (losses)/gains on post-employment benefit assets and liabilities	(5 330)	19 711
Fair value adjustments on equity instruments designated at fair value through other comprehensive income	(294 844)	(284 878)
Share of other comprehensive income of equity-accounted investments	8 797	-
Total comprehensive loss	(2 270 308)	(6 852 795)
Attributable to:		
Equity holders of the parent	(1 795 861)	(3 306 816)
Non-controlling interest	(474 447)	(3 545 979)
	(2 270 308)	(6 852 795)

SUMMARISED STATEMENT OF CHANGES IN EQUITY

	31 March 2021 R'000	31 March 2020 R'000
Balance at the beginning of the year	26 651 453	35 178 142
Share capital and premium		
Shares repurchased	-	(373 872)
Current operations		
Total comprehensive loss	(2 270 308)	(6 852 795)
Equity-settled share-based payments	24 911	20 681
Acquisition of subsidiaries	-	3 926
Disposal of subsidiaries	(5 739 478)	4 879
Effects of changes in holding	891 340	(399 804)
Dividends	(33 622)	(929 704)
Balance at the end of the year	19 524 296	26 651 453

SUMMARISED STATEMENT OF CASH FLOWS

	31 March 2021 R'000	31 March 2020 R'000
Cash flows from operating activities	1 412 651	2 727 273
Cash generated by operations	2 779 836	7 104 797
Net finance costs	(1 356 384)	(1 870 298)
Changes in working capital	416 510	(705 876)
Taxation paid	(383 775)	(871 646)
Dividends paid	(43 536)	(929 704)
Cash flows from investing activities	(350 466)	(2 260 022)
Business combinations and disposals	(462 624)	13 345
Net investments disposed/(acquired)	234 330	(341 613)
Dividends received	64 071	160 909
Loans and receivables repaid/(advanced)	388 685	(6 917)
Intangible assets		
- Additions	(56 703)	(68 080)
- Disposals	-	5
Investment properties		
- Additions	(161 347)	(353 214)
- Disposals	125 000	11 405
Property, plant and equipment		
- Additions	(537 373)	(1 761 876)
- Disposals	55 495	86 014
Cash flows from financing activities	(1 410 219)	(123 068)
Ordinary shares repurchased	-	(373 872)
Other liabilities raised/(repaid)	1 921	(6 388)
Transactions with non-controlling shareholders	(28 552)	(449 451)
Principal paid on lease liabilities	(61 759)	(391 331)
Net funding (repaid)/raised	(1 321 829)	1 097 974
(Decrease)/increase in cash and cash equivalents	(348 034)	344 183
Cash and cash equivalents		
At the beginning of the year	1 740 249	1 282 652
Foreign exchange differences	(50 520)	113 414
At the end of the year	1 341 695	1 740 249
Bank balances and deposits	1 761 881	5 685 032
Bank overdrafts	(420 611)	(3 956 883)
Cash in disposal groups held for sale	425	12 100
Cash and cash equivalents	1 341 695	1 740 249

SEGMENTAL ANALYSIS

	Revenue 31 March		Net gaming win 31 March	
	2021 R'000	2020* R'000	2021 R'000	2020* R'000
Media and broadcasting	2 428 959	2 491 304	-	-
Gaming	381 096	1 648 516	5 275 457	9 922 293
Transport	1 640 563	2 045 158	-	-
Properties	131 996	253 709	-	-
Coal mining	1 136 594	1 360 174	-	-
Branded products and manufacturing	2 454 753	2 732 839	-	-
Other	17 134	12 121	-	-
Total	8 191 095	10 543 821	5 275 457	9 922 293

	Property rental income 31 March		EBITDA 31 March	
	2021 R'000	2020* R'000	2021 R'000	2020* R'000
Media and broadcasting	15 064	14 288	327 456	449 882
Gaming	92 235	148 083	1 795 403	3 983 280
Transport	-	-	406 751	506 144
Properties	352 017	378 864	257 078	315 265
Coal mining	-	-	208 780	264 236
Branded products and manufacturing	148 801	138 760	240 361	240 273
Other	11 932	12 857	(141 578)	(168 719)
Total	620 049	692 852	3 094 251	5 590 361

	Profit/(loss) before tax 31 March		Headline earnings/(loss) 31 March	
	2021 R'000	2020* R'000	2021 R'000	2020 R'000
Media and broadcasting	225 421	351 023	83 910	122 357
Gaming	53 429	(7 518 369)	(20 499)	667 835
Hotels	293 277	-	(317 763)	99 245
Transport	287 126	384 643	176 457	203 889
Properties	(25 488)	180 161	37 841	85 298
Coal mining	168 797	229 649	119 315	101 198
Branded products and manufacturing	146 640	(8 582)	95 220	(15 888)
Oil and gas prospecting	257 682	(159 080)	266 917	(4 510)
Palladium prospecting	(56 521)	(39 937)	(56 521)	(39 937)
Other	21 069	(173 428)	(152 180)	(172 579)
Total	1 371 432	(6 753 920)	232 697	1 046 908

SEGMENTAL ANALYSIS (CONTINUED)

The group's revenue disaggregated by primary geographical markets is as follows:

	South Africa R'000	Other African countries and Middle East R'000	Europe and United Kingdom R'000	Total R'000
31 March 2021				
Media and broadcasting	2 428 959	-	-	2 428 959
Gaming	381 096	-	-	381 096
Transport	1 640 563	-	-	1 640 563
Properties	131 996	-	-	131 996
Coal mining	1 136 594	-	-	1 136 594
Branded products and manufacturing	2 348 517	46 437	59 799	2 454 753
Other	17 134	-	-	17 134
Total	8 084 859	46 437	59 799	8 191 095

31 March 2020*				
Media and broadcasting	2 491 304	-	-	2 491 304
Gaming	1 648 516	-	-	1 648 516
Transport	2 045 158	-	-	2 045 158
Properties	253 709	-	-	253 709
Coal mining	1 360 174	-	-	1 360 174
Branded products and manufacturing	2 623 182	49 281	60 376	2 732 839
Other	12 121	-	-	12 121
Total	10 434 164	49 281	60 376	10 543 821

* Restated for discontinued operations.

The group’s revenue disaggregated by pattern of revenue recognition is as follows:

	Revenue recognised over time R'000	Revenue recognised at a point in time R'000	Total R'000
31 March 2021			
Provision of services			
Media and broadcasting	2 226 201	-	2 226 201
Gaming	239 921	141 175	381 096
Transport	1 478 211	162 029	1 640 240
Properties	128 253	3 743	131 996
Other	17 134	-	17 134
Sale of goods			
Media and broadcasting	-	202 758	202 758
Transport	-	323	323
Coal mining	-	1 136 594	1 136 594
Branded products and manufacturing	54 780	2 399 973	2 454 753
	4 144 500	4 046 595	8 191 095
31 March 2020*			
Provision of services			
Media and broadcasting	2 458 018	33 286	2 491 304
Gaming	1 000 757	647 759	1 648 516
Transport	1 688 748	356 100	2 044 848
Properties	121 282	132 427	253 709
Other	12 121	-	12 121
Sale of goods			
Transport	-	310	310
Coal mining	-	1 360 174	1 360 174
Branded products and manufacturing	16 739	2 716 100	2 732 839
	5 297 665	5 246 156	10 543 821

* Restated for discontinued operations.

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The results for the year ended 31 March 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the disclosure requirements of IAS 34, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the South African Companies Act, 2008, and the Listings Requirements of the JSE Limited.

As required by the JSE Limited Listings Requirements, the company reports headline earnings in accordance with Circular 1/2019: 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 JR Nicolella CA(SA). The directors take full responsibility for the preparation of the summarised financial statements and that the financial information has been correctly extracted from the underlying annual financial statements.

These summarised financial statements are extracted from the audited annual financial statements, but is not itself audited.

The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

The accounting policies applied by the group in the preparation of these summarised financial statements are consistent with those applied by the group in its consolidated financial statements for the year ended 31 March 2020, except as follows:

Amendment to IFRS 16 Leases

The International Accounting Standards Board issued amendments to IFRS 16 to simplify how lessees account for rent concessions. These amendments are effective for annual reporting periods beginning on or after 1 June 2020, with earlier application permitted. The group early adopted the amendments with effect from 1 April 2020 without any adjustment to opening retained earnings at this date.

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets specific conditions is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the payment, occurs. These payments must be disclosed separately from the effect of other variable lease payments included in profit or loss. No such relief is provided for lessors. Lessors are required to assess whether rent concessions are lease modifications and if so, account for them accordingly.

The practical expedient in the amended standard applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic, and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The group applied the practical expedient to all of its leases where it is a lessee and lease concessions were granted to the group. This had the effect of reducing lease liabilities as follows:

	R'million
Land and building rentals	93
Gaming equipment rentals	12

GOING CONCERN AND IMPACT OF COVID-19 PANDEMIC

The national lockdown during the first months of the current financial year and subsequent COVID-19-related restrictive measures have had a severe impact on the economy. All operations of the group were impacted significantly by these measures. Those worst affected were the group's gaming and hotel operations, which were unable to trade for extended periods of time with current trade still impacted by government-enforced restrictions. The group's properties division has also been impacted by the reduced ability of its tenant base to comply with its rent obligations due to various restrictions and economic difficulties affecting their trade.

The share prices of Tsogo Sun Gaming and Tsogo Sun Hotels ("TSH") deteriorated significantly in the period leading up to the trade restrictions noted above. As a result, the security cover ratio covenants relating to certain central borrowings were breached, however, the company and its funders agreed to pursue remedial action and no default occurred. Expected dividends from the group's gaming and hotel operations have also been severely impacted, possibly resulting in the breach of future debt service cover ratio covenants (it must be noted that these have not been breached at the time of release of these results), although management expects debt service obligations on these central borrowings to be complied with for the foreseeable future.

The group's funders at the centre and at the relevant subsidiaries have remained supportive and have inter alia agreed to the following measures:

- The waiver of hotel operations' covenant requirements for the measurement periods ending 30 September 2020, 31 March 2021 and 30 September 2021, the latter two waivers being subject to revised interim covenant measurements;
- The waiver of gaming operations' covenant requirements for the measurement periods ending 30 September 2020 and 31 March 2021 and the amendment of the net leverage covenant for 30 September 2021 and 31 December 2021, subject to certain additional interim covenants;.
- The granting of additional facility headroom to the properties division to assist with cash flow deficits occasioned by tenant defaults and extended rental payment terms. Only an insignificant portion of this facility headroom was utilised, with no further utilisation required as at the date of these results; and
- In respect of the company's central borrowings, the permanent reconstitution of certain security cover ratios and mutually agreed interim security cover ratios for the period ending 31 December 2021 as they relate to the share prices of Tsogo Sun Gaming and TSH. In respect of the period thereafter, sustainable prospective security cover ratios will be agreed, taking into account market conditions at the time. During the period to 31 December 2021, the debt service cover ratio has been waived, subject to achieving certain agreed cash flows and borrowings levels.

In preparing the cash flow forecasts utilised to assess going concern, the impact of the COVID-19 pandemic on the group's operations and liquidity was considered to the extent reasonably possible. The company has assessed the cash flow forecasts together with the other actions taken or proposed and is of the view that the group has sufficient liquidity to meet its obligations as currently foreseen in the next year.

As the situation continues to evolve with changes in governmental regulations and evolving business and consumer reactions thereto, as at the date of these results, the directors of the company considered that the further future financial effects of COVID-19 on the group's consolidated financial statements cannot be reasonably estimated.

RECLASSIFICATION OF COMPARATIVE RESULTS

Media and broadcasting and Properties

Non-current operating lease equalisation assets in the amount of R121 million have been reclassified as follows in the prior- year statement of financial position:

- investment properties increased by R115 million;
- non-current receivables included in Other increased by R6 million; and
- operating lease equalisation assets decreased by R121 million.

FAIR VALUE MEASUREMENT

Investment properties

Gaming

Downward fair value adjustments to investment properties relating to gaming operations amounted to R67 million in the current year. The fair values were determined by independent valuers using the income capitalisation method. The significant unobservable inputs were as follows:

- capitalisation rate of 10% – 10.5%; and
- vacancy rate of 5% – 10%.

Properties

Total downward fair value adjustments of R18 million to investment properties in respect of properties operations were recognised in the current year. The fair values were determined by independent valuers using the discounted cash flow method. The significant unobservable inputs were as follows:

- net income growth rate of 5.3% – 5.8%;
- terminal capitalisation rate of 8.3% – 13.5%; and
- risk-adjusted discount rate of 13.5% – 18%.

Branded products and manufacturing

Upward fair value adjustments to investment properties relating to branded products and manufacturing amounted to R50 million in the current year. The fair values were determined internally using the income capitalisation method. The significant unobservable inputs were as follows:

- capitalisation rate of 10% – 12.25%;
- vacancy rate of 2% – 5%; and
- rental income and operating expenses were determined based on contractual and budgeted amounts for individual properties.

Financial asset at fair value through other comprehensive income

Gaming

The group has a 20% equity interest in each of SunWest International Proprietary Limited ("SunWest") and Worcester Casino Proprietary Limited ("Worcester"). The group has pre-emptive rights but no representation on the board of directors of either company and has no operational responsibilities. The group also has no access to any information regarding the companies except for that to which it has statutory rights as a shareholder. These investments are classified as level 3 fair value measurements and have been accounted for as financial assets at fair value through other comprehensive income. At the end of each reporting period the investment is remeasured and the increase or decrease recognised in other comprehensive income.

The asset has been remeasured to R675 million at 31 March 2021, a R223 million decrease. A discounted

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (CONTINUED)

cash flow valuation was used to estimate the fair value. The reason for the fair value loss is significantly the outbreak of COVID-19 which has severely affected the South African economy.

The significant unobservable inputs used in the fair value measurement of the investment in SunWest and Worcester as at 31 March 2021 are shown below.

- income increases by 92% in the 2022 financial year and then by 13% in the 2023 financial year, 11% in the 2024 financial year, thereafter 3% over the following years;
- operating expenditure increases by 44% in the 2022 financial year, 7% in the 2023 financial year, 17% in the 2024 financial year, thereafter 4% over the following years;
- risk-adjusted discount rate of 14.8% post-tax; and
- long-term growth rate of 4.7%.

IMPAIRMENT REVERSALS

Intangible assets

Gaming

Impairment reversals include R186 million in respect of casino licences relating to the group's gaming operations. Following the impairment of certain casino licences in the prior year and continued COVID-19-related trade restrictions, the carrying amounts of casino licences were tested for impairment. Discounted cash flow valuations were utilised for this purpose. Due to the better than previously forecasted performance of certain casino precincts, the group recognised the following impairment reversals, per casino precinct:

	R'million
Silverstar	67
Garden Route	34
Emnotweni	20
Blackrock	65
Total	186

The significant unobservable inputs used in the testing of the group's casino licences for impairment as at 31 March 2021 are shown below.

- expected gaming win increases on average by 70% in the 2022 financial year and 7% in the next year, thereafter 3% over the following years;
- operating expenditure increases on average by 64% in the 2022 financial year and 9% in the next year, thereafter 4% over the following years;
- risk-adjusted discount rate of 16.8% – 20.9% pre-tax; and
- long-term growth rate of 4.7%.

IMPAIRMENTS

Investment in associate

Impairment of goodwill and investments consists of an impairment of R1 565 million in respect of the group's investment in TSH. Due to the subdued trading price of TSH's shares and continued weak and unpredictable trading as a result of the COVID-19 pandemic and related government interventions, an indicator of impairment existed at the reporting date. The group therefore assessed the investment for impairment, resulting in the abovementioned charge.

The value in use was determined as follows:

The significant unobservable inputs used in the testing of the group's investment for impairment as at 31 March 2021 are shown below.

- Income increases by 132% in the 2022 financial year and then by 46% in the 2023 financial year, 23% in the 2024 financial year, thereafter between 9% and 4% over the following years. Income forecasts provided for further trade disruptions as a result of the COVID-19 pandemic;
- Operating expenditure increases by 80% in the 2022 financial year, 41% in the 2023 financial year, 12% in the 2024 financial year, thereafter between 7% and 4% over the following years;
- Risk-adjusted discount rate of 13.4% post-tax; and
- Long-term growth rate of 4.5%.

The fair value less cost of disposal was calculated using the 5 day volume weighted average share price.

The fair value less cost of disposal was higher than the calculated value in use and the investment was therefore impaired to the fair value less cost of disposal.

BUSINESS COMBINATIONS AND DISPOSALS

Hotels

On 30 September 2020 the boards of directors of Hospitality Property Fund ("HPF") and TSH approved a transaction by which TSH offered to acquire all of the ordinary shares in the issued share capital of HPF, other than those shares already owned by TSH, its subsidiaries and treasury shares ("the Offer"). The consideration in respect of the Offer was settled at a ratio of 1.77 TSH shares for every one HPF share acquired by TSH. Following the failure of the proposed scheme of arrangement, a general offer was implemented in December 2020, the consequence of which was that the group was considered to have lost control of TSH during the general offer period.

The assets and liabilities deemed to have been disposed of with the deconsolidation of the group's interest in TSH were as follows:

	R'million
Non-current assets	13 806
Current assets	1 448
Non-current liabilities	(5 340)
Current liabilities	(1 414)
Net assets disposed of	8 500
Non-controlling interest	(5 843)
Fair value of remaining interest	(946)
Loss on deemed disposal	(1 711)
Cash and cash equivalents disposed of	(497)
Net cash outflow	(497)

Properties

The group's 60% interest in and loan claims against K2013204008 was disposed of for Rnil, resulting in an attributable loss on disposal of R65 million.

Coal Mining

HCI Coal disposed of the Mbali Colliery for R37 million during the current year, resulting in an attributable loss on disposal of R26 million.

DISCONTINUED OPERATIONS AND DISPOSAL GROUPS HELD FOR SALE

Media and broadcasting

The results of certain non-core local and offshore operations in the media and broadcasting segment are included in discontinued operations in the current and prior years. Disposal group assets of R10 million and liabilities of R8 million relate to these operations.

Gaming

Non-core portions of land and buildings in the amount of R59 million have been reclassified to disposal group assets held for sale in the current year.

Niveus Investments previously initiated the process to dispose of its online and retail sports betting interests and their results were consequently included in discontinued operations in the prior-year results as published at that time. Following the sale of these interests to a fellow group entity, Tsogo Sun Gaming, during the current year, these results have been reclassified from discontinued operations in the prior year.

Hotels

Following the deemed disposal of the group's interest in TSH, the results of its operations prior to deconsolidation were reclassified to discontinued operations in the current and prior years.

Losses included in discontinued operations as they related to TSH in the current and prior years were as follows (R'million):

	Nine months ended 31 December 2020	Year ended 31 March 2020
Income	783	4 425
Other operating expenses and income	(979)	(3 246)
Depreciation and amortisation	(268)	(338)
Investment income	13	36
Finance costs	(284)	(397)
Share of profits of associates and joint arrangements	(110)	(3)
Investment surplus	355	–
Fair value adjustments of investment properties	–	(888)
Asset impairments	(2)	(855)
Impairment of goodwill and investments	(31)	(827)
Loss on deemed disposal	(1 711)	–
Loss before taxation	(2 234)	(2 093)
Foreign currency translation and hedging reserves recycled	81	–
Taxation	120	(6)
Loss for the year	(2 033)	(2 099)

Properties

A sectional title investment property with a carrying value of R33 million awaits sale.

Coal mining

HCI Coal disposed of the Mbali Colliery during the current year. The results of these operations have been reclassified to discontinued operations in the current and prior years.

Branded products and manufacturing

The board of Deneb Investments resolved to dispose of its interests in Frame Knitting Manufacturers and Brand ID. The disposal process remains ongoing in respect of Frame Knitting Manufacturers. The results of these divisions are included in discontinued operations in the statement of profit or loss in the current and prior years and their assets of R28 million and liabilities of R10 million classified as disposal groups in the current year. Further property, plant and equipment of R57 million is included in disposal group assets held for sale.

The current-year results of discontinued operations, excluding those of hotel operations, were as follows (R'million):

	Media and broadcasting non-core operations	Coal mining	Branded products and manufacturing
Loss after tax before disposal losses	(30)	(3)	(5)
Loss on disposal	–	(26)	–

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (CONTINUED)

RESULTS

GROUP STATEMENT OF PROFIT OR LOSS AND SEGMENTAL ANALYSIS

Income decreased by 33% to R14 087 million
EBITDA decreased by 45% to R3 094 million
Profit before tax R1 371 million
Headline profit R233 million
Headline profit per share 288 cents

Media and broadcasting

The television advertising market was severely impacted by COVID-19-related trade restrictions, contracting by an estimated 16% during the year. The group's advertising revenue, however, decreased by only 7%, with strong sales during the second half of the year. The group's prime time market share increased from 24% to almost 30%, with increases in both the etv channel and the multi-channel operations. The sale of set top boxes have been internalised during the year and accounted for additional revenue of R203 million. The group's licence fee revenue increased by 4%, however, facility revenue decreased by 49%. Active set top boxes have increased from 1 992 844 to 2 361 443 during the year. EBITDA decreased by 27%, the reduction in revenue somewhat mitigated by stable programming costs and a decrease of 9% in employee costs and 41% in marketing costs. Profit before tax and headline earnings decreased in line with EBITDA.

Gaming

Only negligible gaming revenue and net gaming win were earned during the months of April to June 2020. The curfew and remaining capacity restrictions imposed by government still served to limit the recovery of gaming operations at the reporting date, however, combined revenue and net gaming win in excess of R700 million was earned in respect of the month ending March 2021. Casino revenue and net gaming win combined decreased by 54%, that of Vukani by 35% and that of Galaxy Bingo's operations by 49%. EBITDA decreased by approximately 55% over the prior year following the deterioration in income earned, despite substantial cost containment measures implemented. Profit before tax includes R209 million in impairment reversals against casino licences and property, plant and equipment, R67 million in downward fair value adjustments to investment properties and R30 million in gains on disposal of property, plant and equipment. The prior-year losses before tax included impairments of casino licences of R9 170 million, downward fair value adjustments to investment properties of R81 million and impairments of significantly property, plant and equipment of R191 million.

Hotels

The performance of hotel operations during the current year, as included in the group's results, is not comparable to the prior year. Due to the deemed disposal of the group's interest, these operations' results were consolidated and included in discontinued operations by the group for the nine months ended 31 December 2020 and equity accounted for the three months ended 31 March 2021.

Hotel operations continued to be severely impacted by the COVID-19 pandemic and the various forms of restrictions related to it as at the reporting date. Total income decreased by 72%, following reduced room sales and rental relief granted to lessees. The number of rooms sold decreased by 77% compared to the prior year, with average occupancy levels for owned properties 12.2% in the current year, compared to 59.3% in the prior year. Hotel properties have been opened in a phased manner throughout the year, with 86% open at the reporting date.

Losses included in discontinued operations include a profit on disposal of R355 million in respect of the group's 50% investment in United Resorts and Hotels Limited (owner of the Maia resort) and an effective R90 million downward fair value adjustment on investment properties reported by an associate, International Hotel Properties Limited. The group's share of downward fair value adjustments to investment properties of R99 million and impairments to property, plant and equipment of R237 million is included in share of losses of associates and joint arrangements.

Also included in share of profits of associates and joint arrangements (and therefore profit before tax) is a gain on bargain purchase of R2 094 million recognised on the acquisition of the Group's associate investment in TSH, being the excess of its share of the net fair value of TSH's identifiable assets and liabilities over the cost of its investment, as well as the impairment in the amount of R1 565 million, recognised in respect of this investment at the reporting date. Headline earnings was adjusted for these items.

Subsequent to the reporting date, TSH entered into a loss agreement with its insurer to settle its business interruption insurance claim in the amount of R27 million. HPF continued to engage with the loss adjustors on its stand-alone business interruption claim, which was limited to R150 million.

Transport

Transport revenue decreased by 20%. Golden Arrow Bus Service ("GABS") was able to conclude an agreement with the Provincial Contracting Authority to pay a standing kilometre rate where scheduled operations were unduly disrupted due to capacity limitations and travel time restrictions imposed by the lockdown regulations. With the easing of restrictions accompanying each level of lockdown, the number of GABS passengers showed a gradual increase ranging from a low of 10% with level 5 (compared to the prior year) to an average of close to 70% for the last three months of the financial year. EBITDA decreased by 20% after a reduction in operating costs by 19%. Profit before tax decreased by 25%, significantly in line with the decrease in EBITDA, with a non-recurring fair value adjustment on change of control of an associate of R9 million having been recognised in the prior year.

Properties

Properties' reduction in revenue has significantly been the result of the curtailment of Gallagher Estate's convention and conferencing operations since the implementation of COVID-19-related restrictions. Rental income decreased by 7% due to the granting of rental relief throughout the portfolio, the developments most affected being The Point and Kalahari Village Mall, and the sale of the Makro property in Gqeberha. EBITDA decreased by R58 million, the result of the rental relief granted and lost revenue at Gallagher Estate's convention and conferencing business. Losses before tax include downward fair value adjustments to investment properties of R18 million and a loss on disposal of subsidiary of R87 million. The prior year included upward fair value adjustments to investment properties of R11 million and a profit on disposal of the group's interest in an office building of R29 million. Finance costs decreased by R14 million in the current year due to lower interest rates, which was off-set by the loss of R14 million in equity accounted earnings from the office building sold in the prior year. Headline earnings decreased in line with normalised profit before tax.

Coal mining

Following the conclusion of the sale of the Mbali Colliery, its results have been reclassified to discontinued operations. Revenue decreased by 16% at the Palesa Colliery, consisting of a 12% decrease in coal revenue and 24% decrease in transport revenue. Whilst coal production was identified as an essential service throughout COVID-19-related restrictions, sales volumes at Palesa decreased by 420 000 tons (15%) as a result of the curtailment of coal quantities accepted by Eskom to below contractually agreed levels. Off-take quantities improved to contractually agreed levels during March 2021. EBITDA decreased by 21% as a result of the decrease in sales volumes at the Palesa Colliery. Profit before tax decreased in line with EBITDA. Losses after tax at the Mbali Colliery reduced by R60 million for the period until the effective date of sale, resulting in an increase in consolidated headline profit of 18%.

Branded products and manufacturing

Revenue in respect of branded products and manufacturing decreased by 10% and property rental income increased by 7%, with industrial product manufacturing, automotive parts manufacturing and branded product distribution revenue all impacted by COVID-19-related restrictions and delays. EBITDA in respect of non-property operations decreased by only 5%, while property rental income gains resulted in increased EBITDA profits. Profit before tax included R50 million in upward fair value adjustments to investment properties and R7 million in asset impairments in the current year, compared to downward adjustments of R28 million to investment properties and impairments of R37 million in the prior year. Finance costs also decreased by R39 million in the current year. The improvement in headline earnings was significantly assisted by the disposal of certain discontinued operations for which losses were incurred in the prior year.

Oil and gas prospecting

Equity losses in respect of Impact Oil and Gas ("IOG") in the prior year improved to a profit of R258 million in the current year. The prior-year equity losses included an effective R155 million impairment loss recognised in respect of the relinquishment of an exploration licence in Gabon and which was excluded from headline earnings. During the current year IOG completed a transaction with Africa Energy Corp ("Africa Energy"), a company listed on the TSX Venture Exchange in Toronto and the Nasdaq First North Growth Market in Stockholm, for the sale of its indirect interest in the Block 11B/12B exploration right, offshore South Africa (including the Brulpadda and Luiperd wells). At completion Africa Energy issued 509 million common shares to IOG, following which IOG holds 36.5% of Africa Energy. As a consequence of this transaction IOG recognised a fair value adjustment on the loan structure sold, of which R306 million was effectively included in the share of profits of associates and joint arrangements recognised by the group. This amount remained in headline earnings.

Palladium prospecting

Equity losses of R57 million were recognised in the current year and contained no significant headline adjusting items.

Other

EBITDA losses decreased by R27 million following inter alia reduced expenditure in the group's internal audit function, legal fees on the Ithuba matter and costs in respect of the Niveus Investments structure. Profit before tax improved by R194 million compared to the prior year. Included in profit before tax is R19 million in interest and a R219 million gain on settlement of arbitration proceedings in respect of the finance arrangements with Ithuba Holdings, the current National Lottery operator.

Head office finance costs increased from R229 million to R239 million. Equity losses in respect of Karoshoek reduced by R13 million to R15 million and net expenditure by the group's internal audit function by R8 million to R25 million. Also included in profit before tax is the fair value adjustment of R130 million on the minority interest held in Montauk Renewables Inc. The prior-year losses before tax included R258 million in interest received from Ithuba Holdings. Included in the current year's headline loss is R239 million head

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (CONTINUED)

office finance costs, the aforementioned losses from Karoshoek, an attributable amount of R26 million in respect of the fair value adjustments to the investment in Montauk Renewables Inc. and the after tax amount of R185 million received from Ithuba Holdings, with the remainder being equity earnings from certain associate investments, head office and other overheads of the group's internal audit function, the company, Niveus Investments and La Concorde Holdings.

Notable items on the consolidated income statement include:

Investment income decreased due to lower cash levels throughout the group and lower interest rates. R258 million was received from Ithuba Holdings in the prior year compared to R19 million in the current year.

Finance costs decreased by R389 million, R326 million of the reduction recorded by gaming operations, which incurred R136 million in the prior year as a result of the recycling of ineffective hedge losses. Reduced finance costs were incurred by branded products and manufacturing and transport operations. Head office finance costs increased by R10 million as a result of increased interest rates following the breach of certain covenants during March 2020.

Profits from associates and joint arrangements include R8 million and R7 million profit from BSG Africa and The Kings property development, respectively. Equity profits of R258 million were recognised in respect of IOG and equity losses of R57 million in respect of Platinum Group Metals, R15 million in respect of Karoshoek and R10 million in respect of Alphawave Golf. Following the deconsolidation of TSH in December 2020, equity profits of R1 858 million were recognised for the period thereafter, including a gain on bargain purchase of R2 094 million recognised on the acquisition of the group's associate investment in TSH, as detailed in the notes above.

An investment surplus of R219 million relates to the gain on settlement of arbitration proceedings with Ithuba Holdings. A loss on disposal of a subsidiary of R87 million was incurred by the properties division and a surplus of R41 million was recognised on the disposal of a portion of the group's interest in Platinum Group Metals.

R67 million in downward fair value adjustments on investment properties were recognised by the group's gaming operations and upward adjustments of R50 million by branded products and manufacturing operations. A net amount of R18 million in downward fair value adjustments were recognised by the group's properties division.

Impairment reversals of R209 million relate to gaming operations' casino licences and certain building shells.

Impairments totalling R33 million were recognised in respect of property, plant and equipment by various entities within the group.

Fair value adjustments on financial instruments relate mainly to the group's interest in Montauk Renewables Inc.

Impairment of goodwill and investments consists of the impairment recognised in respect of the group's investment in TSH.

Headline earnings decreased by 77.8%. Headline earnings per share decreased by 77.2%. The weighted average number of shares in issue in the prior year of 82 876 000 was reduced to 80 870 000 in the current year due to the general repurchase of shares during the prior financial year.

GROUP STATEMENT OF FINANCIAL POSITION

Group non-current borrowings at 31 March 2021 comprise central investment property-related borrowings of R2 083 million (March 2020: R1 965 million), borrowings in Tsogo Sun Gaming of R10 300 million (March 2020: R11 200 million), and the remainder in other operating subsidiaries. Following the breach of certain security cover ratios in respect of the company's central borrowings shortly before 31 March 2020, long-term borrowings of R2 355 million have been classified as current at that reporting date and as at 31 March 2021 even though these are not repayable within 12 months of the current reporting date. A rectification arrangement in respect of the breached covenants was concluded with funders during October 2020. R949 million (March 2020: R530 million) in current borrowings relates to Tsogo Sun Gaming. Bank overdraft facilities include R58 million in Tsogo Sun Gaming, R328 million at head office and R30 million in Deneb (March 2020: R2 559 million, R729 million and R109 million, respectively).

GROUP STATEMENT OF CASH FLOWS

Included in cash flows from investing activities is investments in associates of R205 million, of which R91 million relates to further investment in Platinum Group Metals and R98 million to IOG. R85 million was invested in Montauk Renewables Inc. and R467 million received on the disposal of the group's interest in United Resorts and Hotels Limited. R400 million was received from Ithuba Holdings. R537 million was invested in property, plant and equipment, of which R145 million by Tsogo Sun Gaming and R242 million by eMedia. Net funding of R850 million was repaid at Tsogo Sun Gaming and R319 million and R181 million at TSH and Hosken Passenger Logistics and Rail Limited, respectively.

Shareholders are referred to the individually published results of eMedia Holdings Limited, Tsogo Sun Gaming Limited, Tsogo Sun Hotels Limited, Deneb Investments Limited and Hosken Passenger Logistics and Rail Limited for further commentary on the media and broadcasting; gaming; hotels; branded products and manufacturing; and transport operations.

SHAREHOLDERS' DIARY

Financial year-end	31 March 2021
Annual general meeting	30 August 2021
Reports	
- Preliminary report	May
- Interim report at 30 September	November
- Annual financial statements	July

CORPORATE ADMINISTRATION

COMPANY REGISTRATION NUMBER	1973/007111/06
SHARE CODE:	HCI ISIN: ZAE000003257
REGISTERED OFFICE:	Suite 801, 76 Regent Road, Sea Point, Cape Town 8005 PO Box 5251, Cape Town, 8000 Telephone: 021 481 7560
WEBSITE ADDRESS:	www.hci.co.za
COMPANY SECRETARY:	HCI Managerial Services Proprietary Limited
DIRECTORS:	*Executive Directors* John Anthony Copelyn (Chief Executive Officer) Theventheran Govindsamy Govender (Kevin) James Robert Nicolella (Financial Director) Yunis Shaik *Independent Non-Executive Directors* Mohamed Haroun Ahmed Mimi Freddie Magugu Velaphi Elias Mphande (Chairperson) Jabulani Geffrey Ngcobo Rachel Doreen Watson *Non-Executive Directors* Laurelle McDonald Sinqumile Nqobani Njongwe Mkhwanazi-Sigege
AUDITORS:	BDO South Africa Incorporated Wanderers Office Park, 52 Corlett Drive, Illovo, 2196 Private Bag X10046, Sandton, 2146
BANKERS:	First National Bank of Southern Africa Limited
TRANSFER SECRETARIES:	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank,2196 South Africa Private Bag X9000, Saxonwold, 2132
SPONSOR:	Investec Bank Limited 100 Grayston Drive, Sandton, Sandown, 2196

2021 ANNUAL FINANCIAL STATEMENTS

HCI

Hosken Consolidated Investments Limited

CONTENTS

SHAREHOLDERS' SNAPSHOT

ANALYSIS OF SHAREHOLDERS

Listed below is an analysis of shareholdings extracted from the register of ordinary shareholders at 31 March 2021.

	Number of shareholders	% of current shareholders	Number of shares	% of issued capital
Range of holdings				
1 – 1 000	2 301	73.1	517 214	0.6
1 001 – 10 000	542	17.2	1 906 644	2.2
10 001 – 50 000	178	5.6	3 810 342	4.5
50 001 – 100 000	41	1.3	2 861 476	3.3
100 001 – 500 000	66	2.1	13 659 218	16.0
500 001 – 1 000 000	11	0.3	8 083 361	9.4
1 000 001 shares and over	13	0.4	54 782 393	64.0
	3 152	100.0	85 620 648	100.0

	Number of shareholders	% of current shareholders	Number of shares	% of issued capital
Type of shareholder				
Banks and custodians	59	1.9	7 635 210	8.9
Close corporation	9	0.3	6 806	–
Individual	2 371	75.2	6 056 117	7.1
Other corporation	168	5.3	32 969 113	38.5
Pension, provident, retirement and other funds	205	6.5	15 265 849	17.8
Private company	81	2.6	18 800 716	22.0
Public company	34	1.1	2 622 064	3.1
Trust	225	7.1	2 264 773	2.6
	3 152	100.0	85 620 648	100.0

Shareholders' diary

Financial year-end	31 March
Annual general meeting	30 August
Reports	
– Provisional report	May
– Annual financial statements	July
– Interim report at 30 September	November

SHAREHOLDINGS GREATER THAN 5%

	2021 %	2020 %
Southern African Clothing and Textile Workers Union	26.7	28.5
Chearsley Investments Proprietary Limited	7.6	–
Ronaldgate Proprietary Limited	–	7.5
Squirewood Investments 64 Proprietary Limited*	5.3	5.3
	39.6	41.3

* Treasury shares

SHAREHOLDER SPREAD

	Percentage held		Number of shareholders	
	2021 %	2020 %	2021	2020
Public	58.7	57.2	3 141	3 398
Non-public	41.3	42.8	11	12
Directors	7.9	7.6	4	5
Associates of directors	1.1	1.1	3	3
Significant shareholder	26.7	28.5	1	1
Share trust	0.2	0.2	1	1
Treasury shares	5.4	5.4	2	2
	100.0	100.0	3 152	3 410

Stock exchange performance

Total number of shares traded ('000)	29 154
Total value of shares traded (R'000)	1 036 676
Market price (cents per share)	
– Closing	6 352
– High	7 250
– Low	1 600
Market capitalisation (R'000)	5 136 871

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors of Hosken Consolidated Investments Limited are responsible for the preparation, integrity and fair presentation of the financial statements of the company and of the group and for other information contained therein. The annual financial statements for the year ended 31 March 2021 have been prepared in accordance with International Financial Reporting Standards and include amounts based on prudent judgements and estimates by management.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the group or any company within the group will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of the company and the group.

The financial statements have been audited by the independent auditing firm, BDO South Africa Incorporated, which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditor during the audit were valid and appropriate.

The annual financial statements for the year ended 31 March 2021 were approved by the board of directors on 27 July 2021 and are signed on its behalf by:

VE Mphande Chairman	JA Copelyn Chief Executive Officer	JR Nicolella Financial Director

Cape Town
27 July 2021

STATEMENTS OF RESPONSIBILITY

FOR THE YEAR ENDED 31 MARCH 2021

DECLARATION BY CHIEF EXECUTIVE OFFICER AND FINANCIAL DIRECTOR

The chief executive officer and the financial director hereby confirm that:

(a) the consolidated and separate annual financial statements set out on pages 21 to 142, fairly present in all material respects the financial position and results of the group and the company in accordance with International Financial Reporting Standards and the requirements of the JSE Limited and Companies Act of South Africa;

(b) no facts have been omitted or untrue statements made that would result in the annual financial statements being false or misleading;

(c) internal financial controls have been put in place to ensure that material information relating to the company and its subsidiaries have been provided to effectively prepare the annual financial statements; and

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Report on Corporate Governance™ for South Africa, 2016 (King IV™).

We have disclosed to the audit and risk committee and the external auditors any deficiencies in design and operational effectiveness of the internal financial controls, including any fraud that involved directors and the remedial action taken by us.

JA Copelyn Chief Executive Officer	JR Nicolella Financial Director

Cape Town
27 July 2021

DECLARATION BY COMPANY SECRETARY

Hosken Consolidated Investments Limited (HCI) has complied with all statutory and regulatory requirements in accordance with the Financial Markets Act 19 of 2012, and all directives issued by the Financial Sector Conduct Authority.

In terms of section 88 of the Companies Act, 71 of 2008, as amended (the Act), I hereby confirm that HCI has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.

HCI Managerial Services Proprietary Limited

HCI Managerial Services Proprietary Limited
Company Secretary

Cape Town
27 July 2021

REPORT OF THE AUDIT AND RISK COMMITTEE

Chairperson: Mr MH Ahmed
Members: Mr JG Ngcobo and Ms RD Watson

INTRODUCTION

The audit and risk committee (committee) has pleasure in submitting this report in respect of the past financial year of the group, as required by section 94 of the Companies Act 71 of 2008, as amended (the Act). The responsibilities and functions carried out by the committee during the year under review are set out in this report.

The committee is a statutory committee constituted in terms of section 94(7) of the Act to provide oversight of the financial reporting process, the audit process, the company's system of internal controls and compliance with laws and regulations. The committee serves as the audit and risk committee for Hosken Consolidated Investments Limited (HCI or the company) and all wholly-owned subsidiaries of the company, including HCI Coal Proprietary Limited, HCI Managerial Services Proprietary Limited and HCI's property division. It also serves as the audit and risk committee for GRIPP Advisory Services Proprietary Limited which is 75% held by the company.

The committee's mandate is set out in its terms of reference and includes the following responsibilities:

- monitoring the accuracy and integrity of the group's financial and other reporting;
- monitoring the effectiveness of risk management processes and internal controls;
- reviewing the independence of the external auditor;
- recommending the appointment of external auditors to shareholders on an annual basis;
- reviewing the scope, results and cost-effectiveness of independent accounting and valuation services; and
- reviewing the expertise and experience of the financial director.

COMPOSITION

In terms of the Act shareholders are required to approve audit and risk committee members at the annual general meeting (AGM) of the company. Three independent non-executive directors of the company were approved by shareholders at the 2020 AGM to serve until the next AGM scheduled for 30 August 2021. Mr MH Ahmed, Mr JG Ngcobo and Ms RD Watson have been nominated to the committee, subject to shareholder approval at the AGM. The election of members of the committee will take place by way of separate resolutions to be considered by shareholders. The content of these ordinary resolutions is set out in the notice of the AGM.

At least two independent non-executive directors are required to form a quorum.

The committee members possess all the required qualifications, skills and experience to ensure that the committee is suitably skilled to perform the role required by the terms of reference of the committee. The chairperson of the board is not a member of the committee.

The committee met four times during the year under review. The attendances of the committee members are presented below:

Committee member	Number of meetings	Attendance of members
MH Ahmed (current chair)*	2	2
MSI Gani (previous chair)**	2	1
JG Ngcobo	4	4
RD Watson	4	4

* Appointed 7 September 2020
** Resigned 7 September 2020

Mr MSI Gani resigned from the HCI board of directors (the board) on 7 September 2020 and therefore stepped down as a member of the audit and risk committee on the same date.

Mr MH Ahmed, an independent non-executive director, was appointed to the board and the audit and risk committee effective 7 September 2020, to fill the vacancy arising on the resignation of Mr Gani. The board considered the qualifications, skills and experience of Mr Ahmed in making this appointment. Mr Ahmed was reappointed at the AGM of the company held on 15 October 2020.

The required Stock Exchange News Service (SENS) announcement was released on 7 September 2020.

The financial director, the group's risk officer and the group financial manager attend the meetings as permanent invitees, along with the external and internal auditors. Other directors and members of management attend as required.

ROLE, PURPOSE AND FUNCTION

Combined assurance

The Combined Assurance Forum (incorporating internal audit, external audit, the financial director and the chief risk officer) provides assurance to the board that the risk management process is integrated into the daily business activities of the company and that the appropriate levels of assurance are obtained.

External auditor

The external auditor for the period under review was BDO South Africa Incorporated and Mr Theunis Schoeman was the designated auditor.

The committee has:

- confirmed the independence of the external auditor as per section 92 of the Act; reviewed the performance of the external auditor and confirmed that the external auditor, the partner and the firm, have complied with the suitability requirements of the JSE as detailed in paragraph 22.15(h) of the JSE Listings Requirements;
- approved the fees to be paid to the external auditor and their terms of engagement;
- determined the nature and extent of any non-audit services that the external auditor may provide to the company and its wholly-owned subsidiaries;
- pre-approved any proposed agreement with the external auditor for the provision of non-audit services to the company and its wholly-owned subsidiaries;
- considered the key audit matters as identified by the external auditor;
- provided for regular confidential meetings between the committee members and the external and internal auditors; and
- considered all entities included in the consolidated financial statements in respect of financial reporting procedures.

Risk management

The board acknowledges that it is accountable for the process of risk management and the system of internal control of the group. Mr D Levin holds the position of group risk officer. As HCI is an investment holding company, the risk management process considers the risks and opportunities within the company as well as those inherent in its portfolio of investments.

The committee is an integral component of the risk management process and, specifically, the committee ensures, by enquiry of management, external and internal auditors, that all material corporate risks have been identified, assessed, monitored and effectively managed.

The committee further enables the principle that risk management is also about analysing opportunities and not only guarding against downside possibilities. Internal control structures have been implemented to ensure that significant business and financial risk is identified and appropriately managed:

- it is management's responsibility to design, implement and monitor the risk management policies;
- risk assessments are performed on a continual basis;
- frameworks and methodologies are implemented to increase probability of anticipating unpredictable risks;
- risk responses by management are considered and implemented;
- risks are monitored continuously; and
- the board should receive assurance regarding effectiveness of risk management.

The committee is accountable to the board for implementing and monitoring the processes of risk management and integrating this into day-to-day activities. The committee, however, does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

A disciplined and timeous reporting structure enables the committee to be fully apprised of group company activities, risks and opportunities. This is achieved by requiring that subsidiary companies report their key risks and responses to the committee on a biannual basis, with additional exception reporting as required.

The focus of the committee is on those risks which may negatively impact the long-term sustainability of the business or have a material impact on short-term performance.

This continual emphasis on risk management assists the board to foster a culture in the HCI group that emphasises and demonstrates the benefits of a risk-based approach to internal controls and management of the group.

Effective risk management is seen as fundamental to the sustainability of the group's interests.

Material risks

A high-level description of all immediately identifiable material risks which are specific to the group, the industries in which it operates and/or its issued ordinary shares are listed below.

Channels through which South Africa and the group have been affected by COVID-19:

- negative market sentiment compounded by slowing economic recovery;
- substantial disruption to international and domestic travel and tourism;
- slowing down and changes to consumer spending;
- disruptions to global supply chains and domestic production; and
- increased risk of workers being put on short-time or retrenched due to lack of demand.

REPORT OF THE AUDIT AND RISK COMMITTEE

(CONTINUED)

Reforms which remain relevant to the group:

- policy uncertainty/regulatory authorities, including:
  - changing B-BBEE regulations;
  - finalisation of digital migration;
  - SA mining rights – Department of Mineral Resources discontinued negotiations on a revised Mineral and Petroleum Resources Development Act 28 of 2002, in 2018; and
  - government land expropriation policy.

Societal and business risks relevant to the group:

- robberies and assaults on buses;
- unrest affecting mining operations and bus transport;
- unreliable and costly utilities – load shedding and water shortages;
- commodity price risk including coal, oil and palladium; and
- cyber and information-related risk.

Internal audit

The group has established an internal audit function at the holding company level. Where appropriate, subsidiaries have their own internal audit departments that perform the internal audit function for the relevant subsidiary in accordance with the subsidiary's agreed internal audit plan.

HCI has a majority shareholding in GRIPP Advisory Services Proprietary Limited, which is responsible for the internal audit function within the group. The internal audit function reports to the chairperson of the committee, thereby ensuring its independence. The committee is satisfied that the company's internal financial controls and the arrangements for internal audit were working effectively during the year under review, and were predominantly adequate and fit for purpose.

IT governance

As an investment holding company with limited technology needs, HCI has not deemed it necessary to focus on IT at a group level. The company has outsourced its IT operations to a credible service provider via a service level agreement. The committee considers all the reports from the subsidiary companies, as included in the risk report.

To ensure continuous improvements of the cybersecurity posture at HCI and limit the possibility of cyberthreats, internal audit carries out six-monthly vulnerability tests on the company's IT infrastructure.

Compliance

The social and ethics committee has oversight of the group's compliance programme. It is the responsibility of this committee to review the matters that pertain specifically to audit and risk committees, such as tax compliance.

Whistle-blowing

The committee has oversight of the company's whistle-blowing programme. During the period under review it was satisfied that adequate and appropriate provision was made for whistle-blowing. No instances requiring action at a group level were raised or identified during the period under review.

Corporate governance

HCI is committed to the highest standards of business integrity, ethics and professionalism. The King Report on Corporate Governance™ for South Africa 2016 (King IV™), which is applied on an apply-and-explain basis, is effective for years starting on or after 1 April 2017. King IV™ advocates an outcomes-based approach and defines corporate governance as the exercise of ethical and effective leadership towards the achievement of the following governance outcomes:

- ethical culture;
- good performance;
- effective control; and
- legitimacy.

HCI has reviewed the practices underpinning the principles promoted in King IV™. Many of these principles are entrenched in the group's internal controls, policies and procedures governing corporate conduct. The board is satisfied that HCI, in all material aspects, complies with the major recommendations of the King IV™ code to ensure that sound corporate governance and structures are applied within the group.

For the detailed King IV™ application register please visit the company website: www.hci.co.za.

Financial director and finance function

The company employs a full-time financial director who is also an executive director of the company. Mr JR Nicolella holds a CA(SA) qualification and has extensive executive experience. During the period under review the committee considered the expertise and experience of the financial director and is satisfied that, in terms of paragraph 3.84(g) of the JSE Listings Requirements, Mr JR Nicolella has the appropriate skills, expertise and experience to meet the responsibilities of the position.

The committee has also, in terms of King IV™, assessed the expertise of the finance function and the committee is satisfied that the finance team has the required and adequate skills to perform their duties.

Financial statements and going concern

The committee has:

- reviewed the separate and consolidated financial statements of the company for the year ended 31 March 2021 and is satisfied that they comply with International Financial Reporting Standards and the requirements of the Act, that the accounting policies used are appropriate and that all procedures operated effectively in terms of paragraph 3.84(g)(ii) of the JSE Listings Requirements;
- reviewed the legal matters that could have a significant impact on the group's financial statements and the key audit matters contained in the external audit report;
- reviewed a documented assessment by management of the going concern premise of the company and has concluded that the HCI group is a going concern and that the consolidated annual financial statements have been prepared in accordance with the going concern concept. The board has accepted the recommendation of the committee that the company is operating as a going concern and has reported that status in the 2021 annual financial statements;
- considered the JSE's most recent report on the proactive monitoring of financial statements and, where necessary, those of previous periods. The committee has taken appropriate action to respond to the findings as highlighted in the JSE's report with regards to the annual financial statements for the year ended 31 March 2021;
- reviewed the establishment of appropriate financial reporting procedures;
- reviewed the areas of focus in the financial statements. The committee is of the view that where significant judgements are involved in the preparation of the financial statements that could have a material impact on those financial statements, the financial director, management and the committee have exercised appropriate care and skill in making those judgements;
- reviewed the key audit matters identified by the external auditor and is satisfied that they have been adequately addressed.

  The following group key audit matters have been detailed in the audit opinion:
  - impairment testing of goodwill and casino licences;
  - valuation of investment properties; and
  - impairment assessment of investment in associate: Tsogo Sun Hotels.

  The following company key audit matter has been detailed in the audit opinion:
  - recoverability of investments in subsidiaries.
- confidence that the internal control system and governance structures that have been put in place, have operated effectively during the year. As a result of this there were no significant matters for the independent auditor to address during their audit of the financial statements or to report in their auditor's report.

Sustainability reporting

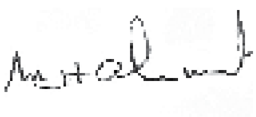
The committee considered the company's sustainability information and has assessed its consistency with operational and other information known to committee members. The committee is satisfied that the sustainability information is reliable and consistent with the financial results.

Other matters

- The committee receives and deals with complaints and concerns from within and outside the company relating to all matters within its terms of reference. No complaints were received during the current or prior year.
- The committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at the company's expense.
- The committee has decision-making authority regarding its statutory duties and is accountable in this regard to both the board and the shareholders. On all responsibilities delegated to it by the board, other than its statutory duties, the committee makes recommendations for approval by the board.
- The chairperson of the committee attends AGMs and is available to answer any questions in relation to matters pertaining to the responsibilities of the committee.

Recommendation of the annual financial statements

The committee has evaluated the annual financial statements of Hosken Consolidated Investments Limited and the group for the period ended 31 March 2021 and, based on the information provided to the committee, the committee recommends the adoption of the annual financial statements by the board.



MH Ahmed
Chairperson: Audit and risk committee

27 July 2021

REPORT OF THE INDEPENDENT AUDITOR

TO THE SHAREHOLDERS OF HOSKEN CONSOLIDATED INVESTMENTS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Hosken Consolidated Investments Limited (the group and company) set out on pages 21 to 142, which comprise the consolidated and separate statements of financial position as at 31 March 2021, and the consolidated and separate statements of profit or loss, consolidated and separate statements of other comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Hosken Consolidated Investments Limited as at 31 March 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Consolidated and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board of Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

CONSOLIDATED FINANCIAL STATEMENTS

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Casino licences impairment assessment – included as part of Note 4

The group has intangible assets with indefinite useful lives relating to casino licences recognised as a result of a business combination in prior years. International Accounting Standard (IAS) 36 Impairment of Assets requires intangible assets with indefinite useful lives to be tested annually for impairment.

These casino licences have a carrying value of R8.76 billion as at 31 March 2021.

To determine the recoverable amounts of the cash-generating units (CGUs), management has used the value-in-use methodology.

Management used a discounted cash flow analysis for each of the individual CGUs, being the individual casinos. Significant estimates and judgements were applied by management when performing these calculations to determine whether any impairment/reversal of impairment is required. The key assumptions and unobservable inputs are disclosed in note 4 to the consolidated financial statements.

Management concluded, based on its assessment, that four licences required a reversal of impairment, totalling R187 million as at 31 March 2021.

We considered the impairment assessment to be a matter of most significance to our current year audit, due to the significant judgements and estimation applied by management in the assumptions and the magnitude of the carrying values of the intangible assets to the consolidated financial statements as at 31 March 2021.

</td><td>

The casino licences originate in one of the significant components of the group.

At group level, we performed the following procedures:

- We evaluated management's calculations for consistency with the prior year methodology.
- We utilised our internal valuation specialist to recalculate a discount rate, taking into account independently obtained data such as the cost of debt, risk-free rates in the market, market risk premiums, debt/equity ratios as well as the beta of comparable companies. This was compared to the discount rates used by management. We recalculated the discounted cash flow calculations using the internally calculated discount rate, compared the outcome to that of management and resolved any significant differences.
- Group audit instructions addressing the significant audit areas in general as well as specific information required to be reported on to the group audit team relating to intangible assets was issued to the component auditor. We held various planning, execution and completion meetings and discussions with the component auditor throughout the engagement.
- We assessed the competence, knowledge and experience of the component audit team and performed a review of the significant audit areas to assess the adequacy of the work performed.
    - o The following procedures, which were reviewed by the group auditor, were performed by the component auditor:
        - – Management's cash flow forecasts used in the impairment models were agreed to the latest director-approved five-year strategic plan.
        - – In respect of the budgeting process used in deriving the five-year strategic plan, the current year actual results were compared to the 2021 financial year figures included in the prior year forecast to consider the reasonableness and accuracy of management's forecasts.
        - – The reasonableness of the adjustments arising from COVID-19 containment measures applied by management in their cash flow forecasts were assessed. This assessment included critically evaluating management's assessment of the ongoing impact of COVID-19 on their forecasted cash flows, considering the economic forecast for the hospitality and tourism sector. In addition, the reasonableness of the cost containment measures was assessed by performing an independent calculation, which took into account costs that are fixed and variable in nature and comparing these costs to management's calculation.
        - – Assessed the reasonability of the discount rate determined by management for the component, taking into account independently obtained data such as the cost of debt, risk-free rates in the market, market risk premiums, debt/equity ratios as well as the beta of comparable companies.
- We considered the adequacy of the disclosure made in the financial statements with reference to the disclosure requirements of IAS 36.

</td></tr>
</table>

REPORT OF THE INDEPENDENT AUDITOR
(CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Fair value of investment property – Note 2	
The group owns a portfolio of investment properties with a carrying value of R5.38 billion as at 31 March 2021. The valuations of the investment properties are performed annually, either by external property valuers or internally by management. The majority of the valuations are performed using either the discounted cash flow method or the income capitalisation method. The current year valuations resulted in downward adjustments of R35.8 million to the investment properties. We considered the valuation of the investment properties to be a matter of most significance to our current year audit due to the significant judgements and estimates involved in determining the fair value and the magnitude of the carrying value of the investment property to the consolidated financial statements as at 31 March 2021.	Investment properties are present in three significant components of the group. At group level, we performed the following procedures: · Group audit instructions addressing the significant audit areas in general as well as specific information required to be reported on to the group audit team relating to the investment properties were issued to the component auditors. We held numerous planning, execution and completion meetings and discussions with the various component auditors throughout the engagement. · We assessed the competence, knowledge and experience of the component audit teams and performed a review of the audit areas relating to investment properties to assess the adequacy of the work performed. o The following procedures, which were reviewed by the group auditor, were performed by the various component auditors: – The recognised fair values of properties were agreed to valuation reports from both external and internal valuers. – In respect of the external valuers, considered their objectivity, independence and expertise by inspecting the valuation reports for a statement of independence and compliance with generally accepted valuation standards and confirmed their affiliation with the relevant professional body. – In respect of the internal valuations, considered the expertise of management. – Assessed the reasonableness of the growth, exit capitalisation and discount rate used in the valuations by independently calculating a range of rates which would be considered reasonable against similar properties. – To assess the reasonability of the valuations, reconciled the cash flows used in the models to management-approved budgets for a sample of properties and independently recalculated the mathematical accuracy of the calculation. · We considered the adequacy of the disclosure made in the financial statements with reference to the disclosure requirements of IAS 40 Investment Property and IFRS 13 Fair Value Measurement.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment – Note 3	
The group recognised goodwill arising from business combinations undertaken in prior years with a carrying value of R3.87 billion as at 31 March 2021. The majority of the goodwill is allocated to the gaming (R3.73 billion) CGU. The gaming and hospitality industry was significantly impacted by the recent COVID-19 outbreak that resulted in the closure of all of the casino precincts in the group during lockdown. Furthermore, the uncertain economic outlook is anticipated to have a material adverse effect on the industry's ability to generate cash flows in the short to medium term. International Accounting Standard (IAS) 36 Impairment of Assets requires goodwill to be tested annually for impairment. To determine the recoverable amounts of the CGU, management has used the value-in-use methodology. Management used a discounted cash flow analysis for the CGU. Significant estimates and judgements were applied by management when performing these calculations to determine whether any impairment is required. The key assumptions and unobservable inputs are disclosed in note 3 to the consolidated financial statements. Management concluded, based on its assessment, that no impairment of the goodwill allocated to the gaming CGU was required. We considered the impairment assessment to be a matter of most significance to our current year audit due to the significant judgements and estimation applied by management in the assumption and the magnitude of the carrying value of goodwill to the consolidated financial statements as at 31 March 2021.	At group level, we performed the following procedures: · We evaluated management's calculations for consistency with the prior year methodology. · We utilised our internal valuation expert to recalculate a discount rate, taking into account independently obtained data such as the cost of debt, risk-free rates in the market, market risk premiums, debt/equity ratios as well as the beta of comparable companies. This was compared to the discount rates used by management. We furthermore recalculated the discounted cash flow calculation using the internally calculated discount rate, compared the outcome to that of management and resolved any significant differences. · Group audit instructions addressing the significant audit areas in general as well as specific information required to be reported on to the group audit team relating to the impairment testing was issued to the component auditors. We held various planning, execution and completion meetings and discussions with the component auditors throughout the engagement. · We assessed the competence, knowledge and experience of the component audit teams and performed a review of the significant audit areas to assess the adequacy of the work performed. o The following procedures, which were reviewed by the group auditor, were performed by the component auditors: – Management's cash flow forecasts used in the impairment models were agreed to the latest director-approved five-year strategic plan. – In respect of the budgeting process used in deriving the five-year strategic plan, the current year actual results were compared to the 2021 financial year figures included in the prior year forecast to consider the reasonableness and accuracy of management's forecasts. – The reasonableness of the adjustments arising from COVID-19 containment measures applied by management in their cash flow forecasts were assessed. This assessment included critically evaluating management's assessment of the ongoing impact of COVID-19 on their forecasted cash flows, taking into account the economic forecast for the hospitality and tourism sector. In addition, the reasonableness of the cost containment measures was assessed by performing an independent calculation, which took into account costs that are fixed and variable in nature, and comparing these costs to management's calculation. · We considered the adequacy of the disclosure made in the financial statements with reference to the disclosure requirements of IAS 36.

REPORT OF THE INDEPENDENT AUDITOR
(CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Investment in Associate – Tsogo Sun Hotels – impairment assessment – Note 6	
The carrying value of the group's investment in Tsogo Sun Hotels (hotels) amounted to R2.85 billion at 31 March 2021, before being tested for impairment. International Accounting Standard (IAS) 36 Impairment of Assets requires that investments in associates be tested for impairment if impairment indicators exist. At 31 March 2021 the value of the listed shares in the group's investment in hotels was R1.285 billion, compared to the carrying value of the investment of R2.85 billion. This is an indicator of impairment and therefore the investment was tested for impairment. The value of the impairment is determined as the difference between the recoverable amount of an asset, being the higher of the value-in-use and the fair value less cost to sell, and the carrying amount of the asset. The value-in-use was calculated using a discounted cash flow approach (DCF) based on the net cash flows of the underlying hotels. Significant estimates and judgements were applied by management when performing these calculations to determine whether any impairment is required. The key assumptions and unobservable inputs are disclosed in note 6 to the consolidated financial statements. Based on management's impairment assessments the investment was impaired by R1.56 billion to its recoverable amount, being the listed share price (fair value less costs to sell). We considered the impairment assessment to be a matter of most significance to our current year audit due to the significant judgements and estimation applied by management in the assumptions included in the value-in-use calculation, the extent of the impairment recognised and the magnitude of the carrying value of the investment to the consolidated financial statements as at 31 March 2021.	At group level, we performed the following procedures: · We utilised our internal valuation specialist to recalculate a discount rate, taking into account independently obtained data such as the cost of debt, risk-free rates in the market, market risk premiums, debt/equity ratios as well as the beta of comparable companies. This was compared to the discount rates used by management. In addition, we utilised our internal valuations specialist to assess the reasonableness of the terminal growth rates used by management. · We recalculated the discounted cash flow calculation using the internally calculated discount rate, compared the outcome to that of management and resolved any significant differences. · Group audit instructions addressing the significant audit areas was issued to the component auditor. We held various planning, execution and completion meetings and discussions with the component auditor throughout the engagement. · We assessed the competence, knowledge and experience of the component audit team and performed a review of the significant audit areas to assess the adequacy of the work performed. o The following procedures, which were reviewed by the group auditor, were performed by the component auditor: – Assessed the reliability of the budgets included in the business plans (which formed the basis of the cash flow forecasts), by comparing prior period budgets to actual results, and evaluated management's budgeting techniques applied. · We recalculated the impairment determined by management by comparing the higher of the fair value less cost to sell and the value-in-use to the carrying amount. · We considered the adequacy of the disclosure made in the financial statements with reference to the disclosure requirements of IAS 36.

SEPARATE FINANCIAL STATEMENTS

Key audit matter	How our audit addressed the key audit matter
Investments in subsidiaries' impairment assessment – Note 9 and Annexure A At 31 March 2021 the carrying value of investment in subsidiaries amounted to R9.96 billion, which is included in the investments in and amounts owing from subsidiary companies' balance on the statement of financial position. International Accounting Standard (IAS) 36 Impairment of Assets requires that investments in subsidiaries be tested for impairment if impairment indicators exist. Indicators of impairment that were considered in the current year included the net asset deficiency of the respective underlying subsidiaries' statement of financial position, deteriorating market conditions and subdued share prices. Net impairments of R2.71 billion were recognised in the current year. We considered the impairment assessment to be a matter of most significance to our current year audit due to the significant judgements and estimation applied by management in the assumptions, the extent of the impairment recognised and the magnitude of the carrying values of the investments to the separate financial statements as at 31 March 2021.	Our audit procedures included the following procedures: · Considered indicators of impairments for all the investments held to assess the completeness of management's assessment. · Reperformed the impairment calculations performed by management. · For those investments where discounted cash flow calculations were performed in order to determine the impairments, we utilised our internal valuation specialist to recalculate the discount rates, taking into account independently obtained data such as the cost of debt, risk-free rates in the market, market risk premiums, debt/equity ratios as well as the beta of comparable companies. This was compared to the discount rates used by management. We furthermore recalculated the discounted cash flow calculation using the internally calculated discount rates, compared the outcome to that of management and resolved any significant differences. · Group audit instructions addressing the significant audit areas was issued to the component auditor. We held various planning, execution and completion meetings and discussions with the component auditor throughout the engagement. · We assessed the competence, knowledge and experience of the component audit team and performed a review of the significant audit areas to assess the adequacy of the work performed. o The following procedures, which were reviewed by the group auditor, were performed by the component auditor: – Assessed the reliability of the budgets included in the business plans (which formed the basis of the cash flow forecasts), by comparing prior period budgets to actual results and evaluated management's budgeting techniques applied. · We considered the adequacy of the disclosure made in the financial statements with reference to the disclosure requirements of IAS 36.

REPORT OF THE INDEPENDENT AUDITOR

(CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the documents titled "Hosken Consolidated Investments Limited Integrated Annual Report 2021" and the "Hosken Consolidated Investments Limited Annual Financial Statements 2021", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO South Africa Incorporated has been the auditor of Hosken Consolidated Investments Limited for three years.

BDO South Africa Inc.

BDO South Africa Incorporated
Registered Auditors

T Schoeman
Director
Registered Auditor

30 July 2021

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021

1. **Nature of business**

   Hosken Consolidated Investments Limited (HCI) is an investment holding company, incorporated in South Africa and listed on the JSE Limited.

2. **Operations and business**

   The business operations of HCI include the making of investments in opportunities as identified by the board of directors and the adding of value to these investments over time. As such, HCI has itself consciously established and pursued an investment policy in terms of which it has endeavoured to maintain significant equity and capital participation in entrepreneurially-run companies with significant growth potential. The investments are constantly reviewed and new ones sought to complement them.

   Refer to pages 16 to 33 of the integrated annual report for an overview of operations for the year under review.

3. **Restatement of comparative results**

   Details of the restatement of comparative results are set out in note 52 of the annual financial statements.

4. **Business combinations and changes in the group's shareholding in subsidiaries**

   Details of business combinations and changes in the group's shareholding in subsidiaries are set out in notes 48 and 9 of the annual financial statements, respectively.

5. **Discontinued operations and disposal group assets and liabilities held for sale**

   Details of discontinued operations and disposal group assets and liabilities held for sale are set out in notes 39 and 16 of the annual financial statements, respectively.

6. **Share capital**

   Details of the authorised and issued share capital are set out in note 17 of the annual financial statements.

7. **Directorate**

   Details of the directors of the company appear in the Corporate Administration section of this report.

   The following changes were made to the directorate:

Director	Date of appointment	Date of resignation
MSI Gani	30 August 2016	7 September 2020
MH Ahmed	7 September 2020	–

8. **Composition of the board**

   The board has assumed responsibility, in line with the board charter, for the composition of the board by ensuring diversity, gender parity, skills, knowledge and resources to effectively discharge its governance role and responsibilities and carry out all its duties.

   At 31 March 2021 the board was comprised of 11 members which included four executive directors, two non-executive directors and five independent non-executive directors. There is a clear balance of power and authority at the board of directors' level.

   The board is chaired by Mr VE Mphande, an independent non-executive director, who is not a former CEO of the company. There is a clear division of responsibilities between the chairman and chief executive officer. The board does not deem it necessary to appoint a lead independent director.

Board member	Number of board meetings	Attendance of members
MH Ahmed*	2	2
JA Copelyn	4	4
MSI Gani**	2	1
TG Govender	4	4
MF Magugu	4	4
L McDonald	4	4
SNN Mkhwanazi-Sigege	4	4
VE Mphande (chair)	4	4
JG Ngcobo	4	4
JR Nicolella	4	4
Y Shaik	4	4
RD Watson	4	4

* Appointed 7 September 2020

** Resigned 7 September 2020

9. **Dividends**

   Due to the impact of the COVID-19 pandemic on the group's operations and the requirement to preserve cash resources, no dividend was declared during the year under review.

10. **Gender diversity**

    The board of directors has adopted a policy on gender diversity at board level and agreed on voluntary targets. The board has reached its gender target of 25% women.

11. **Race diversity**

    The board of directors has adopted a policy on race diversity at board level. The voluntary target was set at a majority of members being people classified as "black". 73% of the members of the board are classified as "black".

12. Company secretary

HCI Managerial Services Proprietary Limited held the office of the company secretary for the 12 months ended 31 March 2021. The secretarial department is under the supervision of Cheryl Philip (FCIS) who is empowered and authorised to provide corporate governance services to the board and management. The board has evaluated the performance and independence of the company secretary during the period under review and it is satisfied that the company secretary is competent and has the appropriate qualifications and experience required by the group to administer the secretarial obligations of the company. The secretary has an arm's length relationship with the board of directors.

The name, business and postal address of the company secretary are set out in the Corporate Administration section of this report.

13. Financial director

Mr JR Nicolella is the full-time executive financial director of the company.

14. Auditor

Subject to shareholder approval BDO South Africa Incorporated will continue in office in accordance with section 90 of the South African Companies Act for the 2022 financial year, with Mr Theunis Schoeman as the designated auditor.

15. Auditor's report

The consolidated and separate annual financial statements have been audited by BDO South Africa Incorporated and their unqualified audit report on the consolidated and separate annual financial statements is included on pages 10 to 17 of this report.

16. Significant shareholders

The company's shareholders that own more than 5% of the issued shares are the Southern African Clothing and Textile Workers Union, Chearsley Investments Proprietary Limited and Squirewood Investments 64 Proprietary Limited who own 26.7%, 7.6% and 5.3%, respectively. No shareholder has a controlling interest in the company.

17. Special resolutions

The following special resolutions were passed by the company's shareholders at the annual general meeting (AGM) of shareholders held on 15 October 2020:

- granting the directors the authority, subject to the provisions of the Act and the provisions of the JSE Listings Requirements, to allot and issue ordinary shares of the company (or to issue options or securities convertible into ordinary shares) for cash to such person or persons, on such terms and conditions as they may deem fit. The aggregate number of ordinary shares to be allotted and issued for cash is limited as set out in the resolution;
- approval of the fees payable to non-executive directors for their services as directors or as members of the board sub-committees in respect of the financial period 1 October 2020 until the next AGM of the company;
- granting the company and the subsidiaries of the company a general authority contemplated in terms of paragraph 5.72 of the JSE Listings Requirements, for the acquisition by the company, or a subsidiary of the company, of ordinary issued shares issued by the company; and
- general authorisation of financial assistance to the extent required by sections 44 and 45 of the Act, the board of directors of the company may, subject to compliance with the requirements of the company's MOI and the Act, authorise the company to provide direct or indirect financial assistance by way of a loan, guarantee, the provision of security or otherwise, subject to the provisions as set out in the resolution.

18. Special resolutions of subsidiaries

The statutory information relating to special resolutions passed by subsidiaries is available from the registered office of the company.

19. Shareholding of directors

The shareholding of directors of the company and their participation in the share incentive scheme of the company as at 31 March 2021 are set out in notes 43 and 42 of the annual financial statements, respectively.

20. Directors' emoluments

Directors' emoluments incurred by the company and its subsidiaries for the year ended 31 March 2021 are set out in note 44 of the annual financial statements.

21. Subsidiaries

Details of the company's subsidiaries are set out in annexure A to the annual financial statements.

22. Borrowing powers

There are no limits placed on borrowing in terms of the memorandum of incorporation. Certain companies in the group have entered into various loan agreements with providers of loan finance. These loan agreements include various covenants and undertakings by companies in the group which may restrict the group's

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

borrowing powers. Details of these covenants and undertakings are set out in note 20 of the annual financial statements.

23. Litigation statement

There are no material legal or arbitration proceedings (including proceedings which are pending or threatened of which the directors of HCI are aware) which may have or have had, during the 12-month period preceding the last practicable date, a material effect on the financial position of HCI.

24. Material change

There has been no material change in the financial or trading position of the HCI group since the publication of its provisional results on 28 May 2021.

25. Events subsequent to reporting date

Events that occurred subsequent to the reporting date are set out in note 50 of the annual financial statements.

26. Going concern

The outbreak of COVID-19 towards the end of the prior financial year has severely affected the South African economy and the group's operations, specifically those of its gaming and hotel interests.

In preparing the cash flow forecasts utilised to assess going concern, the impact of the COVID-19 pandemic on the group's operations and liquidity was considered. The directors have assessed these cash flow forecasts together with the other actions taken or proposed and are of the view that the group has sufficient liquidity to meet its obligations as currently foreseen in the next financial year.

Details of the impact of COVID-19 on the group's operations and liquidity are presented in note 51 of the annual financial statements.

27. Preparer

These annual financial statements were prepared under the supervision of the financial director, Mr JR Nicolella, CA(SA).

VE Mphande	JA Copelyn
Chairman	Chief Executive Officer

Cape Town
27 July 2021

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2021

	Notes	Group 2021 R'000	Group 2020* R'000	Company 2021 R'000	Company 2020 R'000
ASSETS					
Non-current assets		**40 424 198**	54 304 599	**12 427 967**	13 471 592
Property, plant and equipment	1	**16 610 166**	25 686 739	**–**	–
Right-of-use assets	29	**353 250**	1 172 047	**–**	–
Investment properties	2	**5 381 333**	9 344 524	**–**	–
Goodwill	3	**3 872 534**	3 943 166	**–**	–
Intangible assets	4	**9 156 246**	9 388 213	**–**	–
Intangible assets mining	5	**21 707**	36 587	**–**	–
Investments in associates	6	**3 571 565**	2 842 162	**232 586**	3 000
Investments in joint arrangements	7	**2 413**	135 610	**–**	–
Other financial assets	8	**1 031 565**	1 036 987	**–**	–
Investments in and amounts owing from subsidiary companies	9	**–**	–	**12 184 349**	13 457 560
Deferred taxation	10	**340 893**	467 886	**–**	–
Finance lease receivables	11	**15 880**	25 113	**–**	–
Post-retirement benefit assets	21	**–**	4 045	**–**	–
Non-current receivables	12	**66 646**	221 520	**11 032**	11 032
Current assets		**5 340 741**	10 206 306	**8 526**	8 708
Inventories	13	**620 913**	1 054 443	**–**	–
Programme rights	14	**1 074 631**	845 355	**–**	–
Other financial assets	8	**–**	37 823	**–**	–
Trade and other receivables	15	**1 765 538**	2 441 634	**7 185**	8 473
Taxation		**117 778**	142 019	**–**	–
Cash and cash equivalents	41.5	**1 761 881**	5 685 032	**1 341**	235
Disposal group assets held for sale	16	**188 221**	381 371	**–**	–
Total assets		**45 953 160**	64 892 276	**12 436 493**	13 480 300
EQUITY AND LIABILITIES					
Capital and reserves		**19 524 296**	26 651 453	**11 416 338**	12 094 088
Equity attributable to equity holders of the parent		**12 126 312**	12 347 962	**11 416 338**	12 094 088
Ordinary share capital	17	**20 218**	20 218	**21 405**	21 405
Share premium	17	**–**	–	**17 158**	17 158
Other reserves	18	**286 483**	1 122 790	**–**	–
Accumulated profits		**11 819 611**	11 204 954	**11 377 775**	12 055 525
Non-controlling interest	9	**7 397 984**	14 303 491	**–**	–
Non-current liabilities		**19 242 636**	25 396 676	**–**	–
Financial liabilities	19	**228 008**	274 770	**–**	–
Borrowings	20	**13 665 381**	18 169 392	**–**	–
Lease liabilities	29	**410 047**	1 424 481	**–**	–
Post-retirement benefit liabilities	21	**146 453**	135 407	**–**	–
Long-term incentive plan	22	**24 570**	–	**–**	–
Long-term provisions	23	**70 604**	218 324	**–**	–
Deferred revenue and income	24	**110 550**	121 235	**–**	–
Deferred taxation	10	**4 578 055**	5 035 017	**–**	–
Other non-current liabilities	25	**8 968**	18 050	**–**	–
Current liabilities		**7 168 563**	12 738 104	**1 020 155**	1 386 212
Trade and other payables	26	**2 520 716**	2 933 215	**3 577**	3 877
Deferred revenue and income	24	**42 204**	133 529	**–**	–
Financial liabilities	19	**45 586**	4 876	**–**	–
Amounts owing to subsidiary companies	9	**–**	–	**755 560**	902 122
Current portion of borrowings	20	**3 919 533**	5 195 377	**46 027**	–
Taxation		**50 374**	203 030	**76**	1 101
Provisions	23	**169 539**	311 194	**–**	–
Bank overdrafts	27	**420 611**	3 956 883	**214 915**	479 112
Disposal group liabilities held for sale	16	**17 665**	106 043	**–**	–
Total equity and liabilities		**45 953 160**	64 892 276	**12 436 493**	13 480 300

* Restated, refer to details as set out in note 52.2

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2021

		Group		Company	
	Notes	2021 R'000	2020* R'000	2021 R'000	2020 R'000
Revenue	31	8 191 095	10 543 821	2 650 397	989 192
Net gaming win		5 275 457	9 922 293	–	–
Property rental income		620 049	692 852	–	–
		14 086 601	21 158 966	2 650 397	989 192
Depreciation and amortisation		(1 218 495)	(1 253 154)	–	–
Other operating expenses and income		(10 992 350)	(15 568 605)	(23 877)	(23 811)
Investment income	32	94 963	488 019	2 260	4 310
Share of profits/(losses) of associates and joint arrangements		2 045 952	(173 260)	–	–
Investment surplus/(deficit)	33	172 986	29 524	(935)	–
Fair value adjustment on associate on gaining control		–	9 163	–	–
Fair value adjustments on investment properties	2	(35 840)	(105 305)	–	–
Impairment reversals	1, 4, 9	208 739	–	43 507	715 511
Asset impairments	34	(33 756)	(9 407 224)	–	–
Fair value adjustments on financial instruments	8	129 445	(507)	(28 961)	–
Impairment of goodwill and investments	35, 9	(1 564 723)	(20 582)	(3 293 141)	(7 175 894)
Finance costs	36	(1 522 090)	(1 910 955)	(27 198)	(36 330)
Profit/(loss) before taxation	37	1 371 432	(6 753 920)	(677 948)	(5 527 022)
Taxation	38	(257 127)	1 732 172	198	(1 157)
Profit/(loss) for the year from continuing operations		1 114 305	(5 021 748)	(677 750)	(5 528 179)
Discontinued operations	39	(2 096 725)	(2 303 276)	–	–
Loss for the year		(982 420)	(7 325 024)	(677 750)	(5 528 179)
Attributable to:					
Equity holders of the parent		(960 014)	(3 805 278)		
Non-controlling interest	9	(22 406)	(3 519 746)		
		(982 420)	(7 325 024)		
(Losses)/earnings per share (cents)	40.1	(1 187.11)	(4 591.53)		
Continuing operations		1 063.58	(2 990.61)		
Discontinued operations		(2 250.69)	(1 600.92)		
Diluted (losses)/earnings per share (cents)	40.2	(1 187.11)	(4 591.53)		
Continuing operations		1 063.58	(2 990.61)		
Discontinued operations		(2 250.69)	(1 600.92)		

* Restated, refer to details as set out in note 52.1

STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Loss for the year	(982 420)	(7 325 024)	(677 750)	(5 528 179)
Other comprehensive (loss)/income net of tax:				
Items that will subsequently be reclassified to profit or loss				
Foreign currency translation differences	(761 953)	780 591	–	–
Foreign currency translation differences reclassified to profit or loss on disposal of subsidiary	(225 805)	–	–	–
Cash flow hedges:				
– Fair value adjustments	(105 862)	(211 608)	–	–
– Reclassified to profit or loss	45 002	135 921	–	–
Share of other comprehensive losses of equity-accounted investments	(4 031)	(16 308)	–	–
Income tax relating to items that will subsequently be reclassified to profit or loss	29 641	21 193	–	–
Items that will not subsequently be reclassified to profit or loss				
Actuarial (losses)/gains on post-employment benefit assets and liabilities	(7 403)	27 376	–	–
Revaluation of owner-occupied land and buildings on transfer to investment properties	34 145	34 619	–	–
Fair value adjustments on equity instruments designated at fair value through other comprehensive income	(222 022)	(367 252)	–	–
Share of other comprehensive income of equity-accounted investments	8 797	–	–	–
Income tax relating to items that will not subsequently be reclassified to profit or loss	(78 397)	67 697	–	–
Total comprehensive loss for the year	(2 270 308)	(6 852 795)	(677 750)	(5 528 179)
Attributable to:				
Equity holders of the parent	(1 795 861)	(3 306 816)		
Non-controlling interest	(474 447)	(3 545 979)		
	(2 270 308)	(6 852 795)		

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

GROUP	Share capital R'000	Other reserves R'000	Accumulated profits R'000	Non-controlling interest R'000	Total R'000
Balance at 31 March 2019	21 219	620 145	15 443 274	19 093 504	35 178 142
Share capital and premium					
Shares repurchased	(1 001)	–	(372 871)	–	(373 872)
Current operations					
Total comprehensive loss	–	482 606	(3 789 422)	(3 545 979)	(6 852 795)
Equity-settled share-based payments	–	20 681	–	–	20 681
Acquisition of subsidiaries	–	–	(722)	4 648	3 926
Effects of changes in holding (refer to note 9)	–	16 478	129 057	(545 339)	(399 804)
Disposal of subsidiaries	–	–	–	4 879	4 879
Dividends	–	–	(221 482)	(708 222)	(929 704)
Release of share-based payment reserve to accumulated profits	–	(17 120)	17 120	–	–
Balance at 31 March 2020	20 218	1 122 790	11 204 954	14 303 491	26 651 453
Current operations					
Total comprehensive loss	**–**	**(840 383)**	**(955 478)**	**(474 447)**	**(2 270 308)**
Equity-settled share-based payments	**–**	**24 911**	**–**	**–**	**24 911**
Effects of changes in holding (refer to note 9)	**–**	**(20 835)**	**1 570 135**	**(657 960)**	**891 340**
Disposal of subsidiaries	**–**	**–**	**–**	**(5 739 478)**	**(5 739 478)**
Dividends	**–**	**–**	**–**	**(33 622)**	**(33 622)**
Balance at 31 March 2021	**20 218**	**286 483**	**11 819 611**	**7 397 984**	**19 524 296**
Notes	17	18		9	

COMPANY	Share capital R'000	Share premium R'000	Accumulated profits R'000	Total R'000
Balance at 31 March 2019	22 532	17 158	18 233 394	18 273 084
Share capital and premium				
Shares repurchased	(1 127)	–	(411 172)	(412 299)
Current operations				
Total comprehensive loss	–	–	(5 528 179)	(5 528 179)
Dividends	–	–	(238 518)	(238 518)
Balance at 31 March 2020	21 405	17 158	12 055 525	12 094 088
Current operations				
Total comprehensive loss	**–**	**–**	**(677 750)**	**(677 750)**
Balance at 31 March 2021	**21 405**	**17 158**	**11 377 775**	**11 416 338**
Note	17	17		

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Group 2021 R'000	Group 2020* R'000	Company 2021 R'000	Company 2020* R'000
Cash flows from operating activities		1 412 651	2 727 273	270 940	233 885
Cash generated by operating activities		3 297 398	6 625 675	298 965	513 982
Cash generated by operations	41.1	2 779 836	7 104 797	295 670	513 379
Interest income		101 052	226 754	2 260	4 310
Changes in working capital	41.2	416 510	(705 876)	1 035	(3 707)
Finance costs		(1 457 436)	(2 097 052)	(27 198)	(36 330)
Taxation paid	41.3	(383 775)	(871 646)	(827)	(5 249)
Dividends paid		(43 536)	(929 704)	–	(238 518)
Cash flows from investing activities		(350 466)	(2 260 022)	(2 230)	118 547
Business combinations/disposals	41.4	(462 624)	13 345	–	–
Investment in:					
– Subsidiary companies		–	–	(4 352)	(130 626)
– Associated companies and joint arrangements		(204 556)	(443 225)	–	–
– Financial assets		(84 986)	–	–	–
Loans repaid by subsidiary companies		–	–	2 122	249 173
Dividends received		64 071	160 909	–	–
Short-term loans advanced		(4 000)	(20 400)	–	–
Long-term receivables*					
– Advanced		(5 817)	(19 362)	–	–
– Repaid		398 502	32 845	–	–
Proceeds on disposal of investments		523 872	101 612	–	–
Intangible assets					
– Additions		(56 703)	(68 080)	–	–
– Disposals		–	5	–	–
Investment properties					
– Additions		(161 347)	(353 214)	–	–
– Disposals		125 000	11 405	–	–
Property, plant and equipment					
– Additions		(537 373)	(1 761 876)	–	–
– Disposals		55 495	86 014	–	–
Cash flows from financing activities		(1 410 219)	(123 068)	(3 407)	(412 299)
Ordinary shares repurchased		–	(373 872)	–	(412 299)
Other liabilities*					
– Raised		1 921	386	–	–
– Repaid		–	(6 774)	–	–
Transactions with non-controlling shareholders	9	(28 552)	(449 451)	–	–
Principal paid on lease liabilities		(61 759)	(391 331)	–	–
Borrowings					
– Raised	20	1 110 123	11 066 832	–	–
– Repaid	20	(2 431 952)	(9 968 858)	(3 407)	–
Cash and cash equivalents					
Movements		(348 034)	344 183	265 303	(59 867)
At the beginning of the year		1 740 249	1 282 652	(478 877)	(419 010)
Foreign exchange difference on translation of foreign subsidiaries		(50 520)	113 414	–	–
At the end of the year	41.5	1 341 695	1 740 249	(213 574)	(478 877)

* Restated, refer to note 52.3

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2021

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the separate and consolidated annual financial statements of the company are set out below. These policies have been consistently applied to all the periods presented except for changes to the group's accounting policies relating to the adoption of the Amendment to IFRS 16 Leases (refer to Accounting policies note 3.1).

(a) Basis of preparation

The consolidated and separate company annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE and the requirements of the Companies Act of South Africa. The annual financial statements have been prepared under the historical cost convention, as modified by the revaluation to fair value of certain financial instruments and investment properties as described in the accounting policies below.

(b) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee (Exco), consisting of four executive directors, including the chief executive officer (CEO) and financial director (FD). Reportable segments have been identified based on the principal operating activities of entities within the group.

(c) Basis of consolidation

The consolidated financial statements include the financial information of the subsidiaries, associated entities and joint arrangement entities of the group.

(i) Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the financial statements from the date control commences until the date control ceases.

The group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

The company records its investment in subsidiaries at cost less any impairment charges. These interests include any intergroup loans receivable, which represent by nature a further investment in the subsidiary. Intergroup loans receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The company determines at each reporting date whether there is any objective evidence that the investment in the subsidiary is impaired. If this is the case, the company calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value and recognises the amount immediately in profit or loss.

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(ii) Associates

Investments in associates are accounted for using the equity method of accounting. Under the equity method of accounting, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition. Any excess of the group's share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment at date of acquisition, is recognised as income in the period in which the investment is acquired and included in the group's share of the associate's profit or loss in the statement of profit or loss.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount immediately in profit or loss.

(iii) Joint arrangements

Investments in joint arrangements are initially recognised at cost and its post-acquisition results incorporated in the financial statements using the equity method of accounting. Joint arrangements relating to investment properties are accounted for as joint operations, with the group's share of its assets, liabilities, revenue and expenses incorporated in the financial statements. Joint arrangements' accounting policies have been changed, where necessary, to ensure consistency with the policies adopted by the group. The group's investments in joint arrangements include goodwill (net of any accumulated impairment loss) identified on acquisition.

(iv) Goodwill

Goodwill is stated at cost less impairment losses and is reviewed for impairment at the end of each year. Additional impairment testing is performed during the course of the year when there are indicators that goodwill may be impaired. Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. Each of those CGUs is identified in accordance with the basis on which the businesses are managed from both a business type and geographical basis.

The carrying amount of goodwill in respect of associates and joint arrangements is included in the carrying value of the investment in the respective associate and joint arrangement.

(d) Foreign exchange

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African Rand which is the group's presentation and the company's functional currency.

(ii) Transactions and balances

The financial statements for each group company have been prepared on the basis that transactions in foreign currencies are recorded in their functional currency at the rate of exchange ruling at the date of the transaction. Monetary items denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date with the resultant translation differences being recognised in profit or loss. Translation differences on non-monetary assets, such as equity investments designated at fair value through other comprehensive income, are recognised in other comprehensive income.

(iii) Foreign subsidiaries and associates – translation

Once-off items in the statement of profit or loss and statement of cash flows of foreign subsidiaries and associates expressed in currencies other than the South African Rand are translated to South African Rand at the rates of exchange prevailing on the day of the transaction. All other items are translated at weighted average rates of exchange for the relevant reporting period. Assets and liabilities of these undertakings are translated at closing rates of exchange at each reporting date. All translation exchange differences arising on the retranslation of opening net assets together with differences between statements of profit or loss translated at average and closing rates are recognised as a separate component of equity. For these purposes net assets include loans between group companies that form part of the net investment, for which settlement is neither planned nor likely to occur in the foreseeable future and is either denominated in the functional currency of the parent or the foreign entity. When a foreign operation is disposed of, any related exchange differences in equity are recycled through profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rate of exchange at reporting date.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost net of accumulated depreciation and any impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying value or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the specific asset will flow to the group and the cost can be measured reliably. Repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Depreciation
No depreciation is provided on freehold land or assets in the course of construction. In respect of all other property, plant and equipment, depreciation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful life.

(f) Investment properties

Investment properties are stated at fair value representing estimated market value. Changes in fair value are recognised in profit or loss in the period in which they arise.

Investment properties undergoing construction or improvements and for which fair values cannot be reliably measured, are carried at cost.

If an owner-occupied property becomes an investment property, it is reclassified to investment property. The property is revalued to fair value through other comprehensive income before being transferred, with the fair value becoming its cost at the date of reclassification for subsequent accounting purposes.

(g) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Cost is usually determined as the amount paid by the group, unless the asset has been acquired as part of a business combination.

Intangible assets with indefinite lives are not amortised but are subject to annual reviews for impairment.

Intangible assets with finite lives are amortised on a straight-line basis over their estimated useful economic lives and only tested for impairment where there is a triggering event. The directors' assessment of the useful life of an intangible asset is based on the nature of the asset acquired, the durability of the products to which the asset attaches and the expected future impact of competition on the business.

Intangible assets acquired as part of a business combination are recognised separately when they are identifiable and it is probable that economic benefits will flow to the group.

(i) Computer software

Where computer software is not an integral part of a related item of property, plant and equipment, the software is capitalised as an intangible asset.

Direct costs associated with the production of identifiable and unique internally generated software products controlled by the group that will probably generate future economic benefits are capitalised. Direct costs include software development employment costs (including those of contractors used) and an appropriate portion of overheads.

Internally generated costs associated with maintaining computer software programs are expensed as incurred.

(ii) Bid costs and casino licences

Costs incurred during the bidding process for a casino licence are capitalised to casino licences and bid costs by the individual casino on the successful award of the casino licence as these costs are directly attributable to the award of the licence. Payments made to gaming boards for enhancements of existing casino licences, such as additional gaming positions, are capitalised by the individual casino to the underlying casino licence.

Casino licences without expiry dates are not amortised as they are considered to have indefinite lives and are tested for impairment on the same basis as goodwill (refer to note 1(c)(iv) above).

Costs associated with unsuccessful casino licence applications are immediately impaired.

(iii) Trademarks

Trademarks are initially recognised at cost and are carried at cost less accumulated amortisation. Trademarks have finite useful lives and are amortised on a straight-line basis over their estimated useful economic lives.

(iv) Distribution rights

Distribution rights represent multi-territory and multi-platform programming rights that the group is able to "onsell" to other content acquirers in the media industry. Distribution rights are initially recognised at cost and subsequently amortised over the products' useful life.

Distribution rights are tested for impairment annually until they are brought into use.

(v) Capitalised evaluation and exploration expenditure, and capitalised development expenditure

Capitalised evaluation and exploration expenditure, and capitalised development expenditure with finite lives are amortised over their estimated useful economic life.

Direct attributable expenses relating to mining and other major capital projects, site preparations, and exploration and development are capitalised until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent that these are recognised as a provision.

Costs capitalised to evaluation and exploration expenditure are transferred to capitalised development costs once the technical feasibility and commercial viability of developing the mine has been established and the decision to develop the mine has been taken by the directors.

(vi) Management contracts

Management contracts are initially recognised at fair value on business acquisitions. Management contracts that do not have an expiry date are not amortised as they are considered to have an indefinite life and are tested annually for impairment on the same basis as goodwill.

(vii) Programming under development

Programming under development represents costs relating to programming that is still in the process of development and cannot yet be brought into use. Once brought into use, these assets will be transferred to programming rights and amortised over the period of its economic life.

(h) Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(i) Financial assets

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

The classification is determined by both the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of financial assets at amortised cost or at FVOCI, transaction costs that are directly attributable to the acquisition of the financial asset.

(i) Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model with the objective to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these assets are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The group's cash and cash equivalents, loan receivables as well as trade and most other receivables fall into this category of financial instruments.

(ii) Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorised at FVTPL and includes the group's investments in listed equities. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Dividend income from FVTPL investments is recognised in profit or loss as part of investment income when the group's right to receive payments is established.

(iii) Financial assets at fair value through other comprehensive income (FVOCI)

The group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model with the objective to "hold to collect" the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Classification of investments in equity instruments that are not held for trading will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Where the group has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Dividends on FVOCI equity instruments are recognised in profit or loss as part of investment income when the group's right to receive payments is established.

The group has irrevocably elected to measure its equity investment in SunWest and Worcester Casinos at FVOCI as these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term.

(ii) Impairment of financial assets

The group uses forward-looking information to recognise expected credit losses (the "expected credit loss (ECL) model") in accordance with the impairment requirements of IFRS 9. The group's debt instruments carried at amortised cost fall within the scope of these requirements.

The group considers a broad range of information when assessing credit risk and measuring ECLs, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectibility of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1);
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2); and
- financial instruments that have objective evidence of impairment at the reporting date (Stage 3).

"12-month ECLs" are recognised for the first category while "lifetime ECLs" are recognised for the second and third categories.

Measurement of the ECLs is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The group applies a simplified model of recognising lifetime ECLs on trade receivables as these items do not contain a significant financing component. ECLs are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The group uses its historical experience, external indicators and forward-looking information to calculate the ECLs using a provision matrix. Details on the calculation of ECLs are presented in note 15.

The balance of the group's financial assets measured at amortised cost comprises loan receivables and cash and cash equivalents to which the general model is applied.

Impairment losses are presented in other operating expenses and income due to these losses not being material.

(iii) Financial liabilities

The group's financial liabilities include borrowings, trade and other payables, derivative financial instruments and bank overdrafts.

Financial liabilities are initially measured at fair value and, where applicable, adjusted for transaction costs unless the group designated a financial liability at FVTPL. Subsequently, financial liabilities are measured at amortised cost using the effective interest method, except for derivatives which are subsequently carried at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

(iv) Derivative financial instruments and hedge accounting

Derivative financial assets and liabilities are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period.

Certain derivative instruments, while providing effective economic hedges under the group's policies, are not designated as hedges; these include forward exchange contracts. Changes in the fair value of any derivative instruments that do not qualify or have not been designated as hedges are recognised immediately in profit or loss. The group does not hold or issue derivative financial instruments for speculative purposes.

The derivative instruments used by the group, which are used solely for hedging purposes, comprise interest rate swaps. Such derivative instruments are used to alter the risk profile of an existing underlying exposure of the group in line with the group's risk management policies.

In order to qualify for hedge accounting, the group is required to document the relationship between the hedged item and the hedging instrument. The group is also required to document and demonstrate that the relationship between the hedged item and the hedging instrument will be highly effective. This effectiveness test is reperformed at each period-end to ensure that the hedge has remained and will continue to remain highly effective.

The group designates its derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position. To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss. Amounts accumulated in other comprehensive income are recycled to the statement of profit or loss in the period in which the hedged item affects profit or loss. If a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

(v) Cash and cash equivalents

Cash and cash equivalents are initially measured at fair value and include cash in hand, bank deposits, other short-term highly liquid investments and bank overdrafts. After initial recognition, these are measured at amortised cost using the effective interest method.

Bank overdrafts are included within cash and cash equivalents in the statement of cash flows as they form an integral part of the group's cash management.

(vi) Fair value

The fair values of quoted investments are based on current bid prices. The group establishes fair value by using valuation techniques for unlisted securities or if the market for a financial asset is not active. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(i) Inventories

Inventories are valued at the lower of cost or net realisable value. Operating equipment utilised within 12 months is recognised as an expense based on usage. Allowance is made for slow-moving goods and obsolete materials are written off. Cost is determined on the following basis:

- consumable stores are valued at invoice cost on a first in, first out (FIFO) basis; and
- food and beverage inventories and operating equipment are valued at weighted average cost.

Properties that are in the process of being developed for sale are included in inventory work in progress.

(j) Programming rights

Programming rights acquired by the group are initially measured at cost and are amortised over the number of licensed broadcasting runs.

Programming rights classified as features are amortised in line with advertising revenue earned. It is estimated that features will generate advertising revenue over more than two runs and are therefore amortised at a rate of 40% on the first run, 40% on the second run and 20% on the remaining run.

For genres other than features the cost is amortised on the first run.

If, at the end of the licence period, the number of licensed broadcasting runs has not been fully utilised, a write-off is accounted for through the statement of profit or loss. Programming rights are tested on an annual basis for impairment.

(k) Share capital

Ordinary shares are classified as equity. Mandatory redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options are included in the share premium account.

Where subsidiaries hold shares in the holding company's equity share capital, the consideration paid to acquire these shares is deducted from total shareholders' equity as treasury shares. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity. Shares issued to or held by share incentive plans within the group are treated as treasury shares until such time when participants pay for and take delivery of such shares.

(l) Impairment

This policy covers all assets except financial assets (see accounting policy (h)), inventories (see accounting policy (i)) and disposal group assets classified as held for sale (see accounting policy (m)). Impairment reviews are performed by comparing the carrying value of the asset to its recoverable amount, being the higher of the fair value less costs to sell and value-in-use. The fair value less costs to sell is considered to be the amount that could be obtained on disposal of the asset. The value-in-use of the asset is determined by discounting, at a market-based pre-tax discount rate, the expected future cash flows resulting from its continued use, including those arising from its final disposal. When the carrying values of non-current assets are written down by any impairment amount, the loss is recognised in profit or loss in the period in which it is incurred.

Where the asset does not generate cash flows that are independent from the cash flows of other assets, the group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

Intangible non-current assets with an indefinite life and goodwill are tested annually for impairment. Assets subject to amortisation or depreciation are reviewed for impairment if circumstances or events change to indicate that the carrying value may not be fully recoverable.

(m) Disposal group assets and liabilities held for sale

Items classified as disposal group assets and liabilities held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Such disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continued use.

(n) Capitalisation of borrowing costs

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalised at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of group borrowings was utilised. Capitalisation of borrowing costs ceases when the asset is substantially complete.

(o) Provisions

The group recognises provisions for bonus plans based on rates negotiated with union bargaining councils, the results of the company and the performance of relevant employees or at the discretion of company management. These criteria are only finalised after the group's year-end and payments are dependent upon the employee being in the company's service at the date of payment.

Long-term environmental obligations are based on the group's environmental plans, in compliance with current regulatory requirements. Provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. The estimated cost of rehabilitation is reviewed annually and adjusted as appropriate for changes in legislation or technology. Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant clean-up at closure, in view of the uncertainty of estimating the potential future proceeds. Annual contributions are made to the group's Environmental Rehabilitation Trust Fund created in accordance with statutory requirements, to provide for the funding of the estimated cost of pollution control and rehabilitation during and at the end of the life of mines.

A repurchase of service provision is raised in respect of retrenchment costs that will be payable to employees who would be surplus to requirements, should the government award the operating of some public transport routes to other third parties.

(p) Revenue recognition

Revenue arises mainly from the sale of goods by the group's branded products and manufacturing, coal mining, and media and broadcasting operations as well as the rendering of the following services by the group:

- theme park services and banqueting and venue hire;
- advertising services;
- bus transport services; and
- operational contracts with The Department of Transport and the City of Cape Town.

To determine whether to recognise revenue, the group follows a five-step process:

- identifying the contract with a customer;
- identifying the performance obligations;
- determining the transaction price;
- allocating the transaction price to the performance obligations; and
- recognising revenue when/as the performance obligations are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the group satisfies performance obligations by transferring the promised goods or services to its customers.

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods or services. The transaction price for a contract excludes any amounts collected on behalf of third parties. The group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The group does not have significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers as the revenue is based on stand-alone selling prices and predetermined settlement dates.

The group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as deferred revenue in the statement of financial position. Similarly, if the group satisfies a performance obligation before it receives the consideration, the group recognises a trade receivable in its statement of financial position as only the passage of time is required before payment of these amounts will be due.

The group considers whether there are other promises in contracts with customers that are separable performance obligations, such as customer reward programmes, to which a portion of the transaction price needs to be allocated.

(i) Sale of goods

Revenue from the sale of goods for a fixed fee is recognised when or as the group transfers control of the assets to the customer. For stand-alone sales of goods, control transfers at the point in time the customer takes undisputed delivery of the goods.

Some products are sold with volume rebates and trade discounts. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated returns, rebates and discounts to the extent that it is highly probable. It is not the group's policy to sell products to the end-customer with a right of return.

The group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

(ii) Rendering of services

Theme park revenue and banqueting and venue hire

Revenue from theme park entrance fees, banqueting and venue hire, parking, ticket sales and other non-net gaming win are recognised over time as the customer receives and consumes the economic benefits.

Food and beverage revenue is recognised at a point in time.

Advertising revenue

Advertising revenue is recognised in profit or loss on a straight-line basis over the term of the agreement, net of value-added taxation. The performance obligation is fulfilled when the commercial advert is aired as per the contractual term.

Bus ticket revenue

Revenue from single-journey bus tickets is recognised at the point in time that the ticket is sold.

Revenue from the sale of multi-journey tickets is recognised as rides are utilised. At year-end, deferred revenue is recognised for unused rides on these tickets.

Operational contract revenue

Operational contracts with The Department of Transport and The City of Cape Town relate to contracts for the provision of bus services. Revenue is recognised when the kilometres in respect of these services have been travelled.

(iii) Payment terms

No element of financing is deemed present as sales of the group's goods and services are generally made by cash or negotiated credit terms of up to 45 days.

Revenue other than from contracts with customers

Dividend income

Company dividend income is recognised when the right to receive payment is established.

(q) Net gaming win

Net gaming win comprises the net table and slot machine win derived by casino operations, net slot machine win derived by limited payout route operations and net bingo winnings derived from gambling patrons. In terms of accounting standards, betting transactions concluded under gaming operations meet the definition of derivatives and income from gaming operations therefore represents the net position arising from financial instruments. The net gaming win is measured as the net cash received from betting transactions from gaming operations. Due to the short-term nature of the group's gaming operations, all income is recognised in profit or loss immediately, at fair value. VAT and other taxes, including gaming levies, that are charged on gaming operations are included in net gaming win and are treated as direct costs as these are borne by the group and not customers.

(r) Investment income

(i) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired the group reduces the carrying amount to its recoverable amount by discounting the estimated future cash flows at the original effective interest rate and continuing to unwind the discount as interest income.

(ii) Dividend income

Dividend income in the group is recognised when the right to receive payment is established.

(s) Leases

The Amendment to IFRS 16 Leases was adopted on 1 April 2020 without any adjustment to the group's opening retained earnings at this date (refer to Accounting policies note 3.1 for further details).

The group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- there is an identified asset;
- the group obtains substantially all the economic benefits from use of the asset; and
- the group has the right to direct use of the asset.

The group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the group obtains substantially all the economic benefits from use of the asset, the group considers only the economic benefits that arise from use of the asset and not those incidental to legal ownership or other potential benefits.

In determining whether the group has the right to direct use of the asset, the group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are predetermined due to the nature of the asset, the group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the group applies other applicable IFRSs rather than IFRS 16.

(i) The group is the lessee

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low-value assets; and
- leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined with reference to the rate inherent in the lease unless this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonably certain to exercise that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of a termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being depreciated over the remaining (revised) lease term.

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the stand-alone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiated terms increase the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the group to use an identified asset and require services to be provided to the group by the lessor, the group has elected to account for the entire contract as a lease, i.e. it allocates any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

(ii) The group is the lessor

The group classifies these leases as finance leases or operating leases.

For finance leases the group recognises finance lease receivables in its statement of financial position. Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the group's net investment in the finance lease.

Assets leased to third parties under operating leases are included in investment properties and property, plant and equipment in the statement of financial position. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term. Contingent (variable) rentals are included in rental income when the amounts can be reliably measured.

(t) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. The current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. The group's liability for current taxation is calculated using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is provided, using the statement of financial position liability method, in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements, except where the temporary difference arises from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither accounting nor taxable profit.

Deferred tax is measured at the tax rates expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the reporting date.

(u) Employee benefits

(i) Defined contribution plans

For the defined contribution plans, subsidiaries of the group pay contributions to both in-house pension funds managed by employer and employee-nominated trustees and public administered provident plans on a contractual basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. The rules of the funds do not allow for prepaid contributions.

(ii) Other post-employment obligations

Certain subsidiaries of the group operate a defined benefit plan for a portion of the medical aid members. This fund is now closed to new entrants. The assets of the scheme are held separately from those of the group and are administered by trustees. The liability recognised in the statement of financial position in respect of the plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related plan liability.

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised in full and charged or credited to equity in other comprehensive income in the period in which they arise.

All other costs are recognised immediately in profit or loss.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(iv) Bonus plans

The group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation. An accrual is maintained for the appropriate proportion of the expected bonuses which would become payable at the year-end. Bonuses that do not meet the definition of a liability are treated as provisions, refer to accounting policy (o).

(v) Employee leave entitlement

An accrual is made for the estimated liability to the employees for annual leave up to the reporting date.

(vi) Long-service awards

A subsidiary of the group recognises a liability and an expense for long-service awards where cash is paid to employees at certain milestone dates in their careers with the group. The method of accounting and frequency of valuation are similar to those used for defined benefit schemes. The actuarial valuation to determine the liability is performed annually.

(vii) Other long-term employee benefits

A subsidiary of the group provides death-in-service benefits, permanent and temporary disability benefits, together with funeral cover to qualifying employees. The liability for benefits payable that are not linked to a service condition is recognised as and when a claim arises and is expensed in full in the statement of profit or loss at that point. The liability for benefits that are linked to an employee's service period is recognised through the statement of profit or loss over the estimated service period of the employee up to the estimated date of a claim occurring while in service. The method of accounting for benefits linked to service is similar to that used for defined benefit schemes.

(v) Share-based payments

(i) Equity-settled

The group has granted share options to employees in terms of The HCI Employee Share Scheme. In terms of IFRS 2 these options are fair valued at the date of grant and recognised as an expense over the relevant vesting periods. The fair value of options granted is measured using the Black-Scholes model.

(ii) Cash-settled

Goods or services, including employee services received in exchange for cash-settled share-based payments, are recognised at the fair value of the liability incurred and are expensed when consumed or capitalised as assets, which are depreciated or amortised. The liability is remeasured at each reporting date to its fair value, with all changes recognised immediately in profit or loss.

The fair value of the long-term incentive plan liability is determined at each reporting date with reference to the subsidiary company's share price and expensed over the period services are rendered by the employees.

(w) Earnings per share

Earnings per share is based on the weighted average number of shares in issue, net of treasury shares, during the year and profit attributable to ordinary shareholders. Headline earnings per share is calculated in terms of the requirements set out in Circular 01/2019 issued by SAICA.

(x) Government grants

Government grants are recognised as other income when there is reasonable assurance that the group will comply with the relevant conditions attached to them and that the grant will be received.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the cost that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are recognised as non-current deferred income and credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(y) Insurance and reinsurance contracts

(i) Classification

Insurance contracts are those contracts that transfer significant insurance risk in respect of related parties insured by the group. Such contracts may also transfer financial risk. As a general guideline, the group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

(ii) Recognition and measurement

For all insurance contracts, earned premiums are recognised as other income proportionally over the period of coverage. The portion of premiums received on in-force contracts that relates to unexpired risks at the statement of financial position date is accounted for as the unearned premium liability. Premiums are shown before deduction of commission.

Provision is made for underwriting losses that may arise from unexpired risks when it is anticipated that unearned premiums will be insufficient to cover future claims. This liability adequacy test is performed annually to ensure the adequacy of general insurance liabilities. In performing these tests, current best estimates of future contractual cash flows are used. The provision for unearned premiums represents the portion of the current year's premiums that relates to risk periods extending into the following year.

Insurance claims incurred, which are included in other operating expenses, comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any adjustments to claims from previous years.

Provision for claims is made on a prudent basis for the estimated final cost of all claims that had not been settled at the reporting date, less amounts already paid. These provisions include the cost of claims incurred but not yet reported to the company and are based on available information at each reporting date. The estimated cost of claims includes expenses to be incurred in settling claims. The group's own assessors or contracted external assessors individually assess claims. The group takes all reasonable steps to ensure that it has up to date reports from brokers regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove different from the original liability raised.

Provision is made for claims arising from insured events that occurred before the close of the accounting period, but which had not been

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

reported to the group at that date, the "incurred but not reported reserve" (IBNR). The estimation of the IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the group, where the information about the claim event is available. IBNR claims may not become apparent to the insurer until many months after the event which gave rise to the claims incurred.

Contracts with reinsurers under which the group is compensated for losses on one or more contracts issued by the group and that meet the classification requirements for insurance contracts (as detailed above), are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Income received from insurance contracts entered into by the group under which the contract holder is another insurer (inwards reinsurance) is included with premium income. The benefits to which the group is entitled under its reinsurance contracts held are recognised as assets. These assets consist of short-term balances due from reinsurers on settled claims, as well as estimates (classified as reinsurance assets) that are calculated based on the gross outstanding claims and IBNR provisions. The amounts that will be recoverable from reinsurers are estimated based upon the gross provisions, having due regard to collectibility. The group assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of profit or loss. The recoverability of reinsurance recoveries is assessed having regard to market data on the financial strength of each of the reinsurers. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in profit or loss when due. Amounts recovered from reinsurers in profit or loss reflect the amounts received or receivable from reinsurers in respect of those claims incurred during the period.

With respect to the insurance arrangement within the group, any insurance claim receivable is recognised and measured using the guidance of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and insurance premiums are expensed as they are incurred.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Judgement also needs to be exercised in applying the group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the group's assets and liabilities within the next financial year are discussed below.

(i) Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis assumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The board of directors evaluated the going concern assumption as at 31 March 2021 by considering the current financial position of the group and their best estimate of cash flow forecasts for the group, after taking into account the impact of the COVID-19 pandemic on the group's operations and liquidity. The directors are of the view that the group has sufficient liquidity to meet its obligations as currently foreseen in the next financial year. Details of the impact of COVID-19 on the group's operations and liquidity are presented in note 51.

(ii) Investment properties

Investment properties owned by the group represents a significant proportion of the group's asset base. Judgements made in determining the fair values of these properties in particular, affect the group's financial position and performance.

The group makes use of independent, professionally qualified valuers. Valuations are currently performed on an annual basis on the group's entire portfolio of investment properties. Details regarding the estimates and judgements involved in the valuation of these properties are presented in note 2.

(iii) Estimated impairment of goodwill and indefinite lived intangible assets

The group tests annually whether goodwill and indefinite lived intangible assets have suffered any impairment, in accordance with the accounting policies stated in 1(c)(iv) and 1(g) above. The recoverable amounts of CGUs have been determined based on value-in-use calculations.

These calculations require the use of estimates as noted in notes 3 and 4.

(iv) Impairment of investment in associate

Following indicators of impairment as detailed in note 6, the group has impaired its investment in Tsogo Sun Hotels by R1 565 million during the current year. The recoverable amount of the investment was based on the higher of its value-in-use and its fair value less costs to sell. These calculations required the use of estimates and judgements as presented in note 6.

(v) Leases

Determining the discount rates

In calculating lease liabilities, lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The weighted average rates applied to the group's lease commitments ranged between 9.0% and 12.6%.

Determining the lease terms

Extension and termination options are included in a number of leases across the group, as detailed in note 29. In determining the lease term, the group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. The extension options (or periods after termination options) have been considered and, where certain, have been included in the lease term. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

(vi) Income taxes

The group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(vii) Deferred tax assets

Management has applied a probability analysis to determine future taxable income against which calculated tax losses will be utilised.

(viii) Fair value of financial instruments that are not traded in an active market

The fair value of financial instruments that are not traded in an active market (for example unlisted investments) is determined by using valuation techniques. The group uses its judgement in selecting a valuation method and makes assumptions that are mainly based on market conditions existing at the end of each reporting period.

The group used the discounted cash flow valuation method to determine the fair value of its unlisted equity investments in SunWest and Worcester Casinos carried at FVOCI. Refer to note 8 for the significant unobservable inputs used in this fair value measurement together with a sensitivity analysis should any of these inputs change.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the company's assets and liabilities within the next financial year are as follows:

(i) Impairment assessment of investments in subsidiaries

Following indicators of impairment as detailed in note 9, the company has impaired several investments in subsidiaries and recognised impairment losses of R2 754 million during the current year. Further details are provided in note 9.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

3.1 New standards, interpretations and amendments adopted as at 1 April 2020

The group adopted the following applicable new and amended accounting pronouncements, as issued by the IASB, during the current year:

- IFRS 16 Leases (Amendment: COVID-19-related Rent Concessions);
- IAS 1 Presentation of Financial Statements (Amendment: Definition of "Material");
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment: Definition of "Material");
- IFRS 3 Business Combinations (Amendment: Definition of "Business"); and
- Conceptual Framework for Financial Reporting (Revised).

Other than the impact of the IFRS 16 Leases amendments as detailed below, the adoption of these accounting pronouncements had no significant impact on the group.

Amendments to IFRS 16 Leases

The International Accounting Standards Board issued amendments to IFRS 16 to simplify how lessees account for rent concessions. These amendments are effective for annual reporting periods beginning on or after 1 June 2020, with earlier application permitted. The group early adopted the amendments with effect from 1 April 2020 without any adjustment to opening retained earnings at this date.

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets specific conditions is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the payment, occurs. These payments must be disclosed separately from the effect of other variable lease payments included in profit or loss. No such relief is provided for lessors. Lessors are required to assess whether rent concessions are lease modifications and, if so, account for them accordingly.

The practical expedient in the amended standard applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic, and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The group applied the practical expedient to all of its lease concessions that met these conditions. The effect of applying the practical expedient is disclosed in note 29.

On 31 March 2021 the IASB published additional amendments to IFRS 16 Leases in which the application of the practical expedient was extended to also include rent concessions related to payments originally due on or before 30 June 2022. The group will apply this amendment from annual periods beginning 1 April 2021.

3.2 New standards, interpretations and amendments that are not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are effective in future accounting periods of the group. The most significant of these, which the group has decided not to early adopt, are the following:

Standard	Details of amendment	Annual periods beginning on
IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment: Onerous Contracts – Cost of Fulfilling a Contract)	In May 2020, the IASB issued amendments to IAS 37, which specify and increase the scope of costs a company includes when assessing whether a contract will be loss-making and is therefore recognised as an onerous contract. These amendments are not expected to have a material impact on the group.	The group will apply the amendments to IAS 37 from annual periods beginning 1 April 2022
IFRS 17 Insurance Contracts	IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous (non-IFRS) accounting approaches to continue to be followed. The group is in the process of assessing the possible impact of these amendments.	The group will apply the amendments to IFRS 17 from annual periods beginning 1 April 2023
IAS 1 Presentation of Financial Statements (Amendment: Classification of Liabilities as Current or Non-current)	In January 2020 the IASB issued amendments to IAS 1, which clarify how an entity classifies liabilities as current or non-current. These amendments are expected to have a significant impact on many entities, with more liabilities being classified as current, particularly those with covenants relating to borrowings. The group is in the process of assessing the possible impact of these amendments.	The group will apply the amendments to IAS 1 from annual periods beginning 1 April 2023
IAS 1 Presentation of Financial Statements (Amendment: Disclosure of Accounting Policies)	The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies.	The group will apply the amendments to IAS 1 from annual periods beginning 1 April 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment: Definition of Accounting Estimates)	The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates. The requirements for recognising the effect of a change in accounting estimate prospectively remain unchanged. These amendments are not expected to have a material impact on the group.	The group will apply the amendments to IAS 8 from annual periods beginning 1 April 2023

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

	Group 2021 R'000	2020 R'000	2019 R'000
1. PROPERTY, PLANT AND EQUIPMENT			
Cost			
Broadcast studios and equipment	**842 523**	815 259	760 818
Buses	**2 106 484**	2 115 240	1 898 948
Land and buildings	**13 412 776**	21 512 747	20 737 722
Leasehold improvements	**495 442**	1 159 856	1 182 590
Mining infrastructure	**69 820**	228 441	227 482
Other equipment and vehicles	**622 451**	880 310	869 904
Plant and machinery	**6 597 301**	9 766 114	9 146 431
Properties under construction	**338 103**	180 475	53 702
	24 484 900	36 658 442	34 877 597
Accumulated depreciation and impairments			
Broadcast studios and equipment	**(705 258)**	(652 904)	(577 651)
Buses	**(850 229)**	(791 339)	(717 820)
Land and buildings	**(1 576 815)**	(2 844 996)	(1 717 340)
Leasehold improvements	**(278 106)**	(522 479)	(497 346)
Mining infrastructure	**(45 383)**	(192 174)	(183 732)
Other equipment and vehicles	**(405 441)**	(387 406)	(358 638)
Plant and machinery	**(4 013 502)**	(5 580 405)	(5 131 234)
	(7 874 734)	(10 971 703)	(9 183 761)
Carrying value			
Broadcast studios and equipment	**137 265**	162 355	183 167
Buses	**1 256 255**	1 323 901	1 181 128
Land and buildings	**11 835 961**	18 667 751	19 020 382
Leasehold improvements	**217 336**	637 377	685 244
Mining infrastructure	**24 437**	36 267	43 750
Other equipment and vehicles	**217 010**	492 904	511 266
Plant and machinery	**2 583 799**	4 185 709	4 015 197
Properties under construction	**338 103**	180 475	53 702
	16 610 166	25 686 739	25 693 836
Movements in property, plant and equipment			
Balance at the beginning of the year			
Broadcast studios and equipment	**162 355**	183 167	
Buses	**1 323 901**	1 181 128	
Land and buildings	**18 667 751**	19 020 382	
Leasehold improvements	**637 377**	685 244	
Mining infrastructure	**36 267**	43 750	
Other equipment and vehicles	**492 904**	511 266	
Plant and machinery	**4 185 709**	4 015 197	
Properties under construction	**180 475**	53 702	
	25 686 739	25 693 836	

	Group 2021 R'000	Group 2020 R'000
1. PROPERTY, PLANT AND EQUIPMENT continued		
Additions		
Broadcast studios and equipment	33 849	54 524
Buses	28 536	179 943
Land and buildings	38 304	216 767
Leasehold improvements	14 080	29 646
Mining infrastructure	–	959
Other equipment and vehicles	23 856	114 309
Plant and machinery	192 541	975 173
Properties under construction	220 187	274 634
	551 353	1 845 955
(Disposal of subsidiaries and businesses)/business combinations		
Buses	–	60 700
Land and buildings	(8 491 062)	(1 140)
Leasehold improvements	(399 762)	(2 955)
Mining infrastructure	(6 565)	–
Other equipment and vehicles	(304 938)	32
Plant and machinery	(914 294)	(324)
Properties under construction	(10 258)	–
	(10 126 879)	56 313
Transfer (to)/from disposal group assets held for sale		
Broadcast studios and equipment	(85)	–
Land and buildings	(114 080)	–
Leasehold improvements	1 294	–
Other equipment and vehicles	(237)	–
Plant and machinery	2 614	–
	(110 494)	–
Disposals		
Buses	(2 624)	(2 242)
Land and buildings	(458)	(1 794)
Leasehold improvements	(122)	(109)
Other equipment and vehicles	(20 779)	(41 867)
Plant and machinery	(15 157)	(57 025)
	(39 140)	(103 037)
Transfers		
Buses	(1 848)	–
Land and buildings	2 337 815	229 512
Leasehold improvements	(476)	–
Other equipment and vehicles	71 250	(58 151)
Plant and machinery	24 391	74 882
Properties under construction	(53 414)	(140 791)
	2 377 718	105 452

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

	Group 2021 R'000	Group 2020 R'000
1. PROPERTY, PLANT AND EQUIPMENT continued		
Depreciation		
Broadcast studios and equipment	(57 749)	(75 336)
Buses	(82 002)	(84 149)
Land and buildings	(291 809)	(258 945)
Leasehold improvements	(34 733)	(71 064)
Mining infrastructure	(5 265)	(8 442)
Other equipment and vehicles	(35 246)	(40 828)
Plant and machinery	(808 356)	(883 298)
	(1 315 160)	(1 422 062)
Impairments		
Broadcast studios and equipment	(1 105)	–
Buses	(9 708)	(11 479)
Land and buildings	(4 105)	(965 936)
Leasehold improvements	(322)	(3 385)
Other equipment and vehicles	(1 171)	(2 797)
Plant and machinery	(8 808)	(19 680)
Properties under construction	(7 303)	(14 127)
	(32 522)	(1 017 404)
Impairment reversals		
Land and buildings	21 958	–
	21 958	–
Currency translation		
Land and buildings	(362 498)	394 286
Other equipment and vehicles	(8 629)	10 940
Plant and machinery	(74 841)	80 784
Properties under construction	(2 985)	55
	(448 953)	486 065
Borrowing costs capitalised		
Properties under construction	11 401	7 002
	11 401	7 002
Revaluation on transfer to investment properties		
Land and buildings	34 145	34 619
	34 145	34 619
Balances at the end of the year		
Broadcast studios and equipment	137 265	162 355
Buses	1 256 255	1 323 901
Land and buildings	11 835 961	18 667 751
Leasehold improvements	217 336	637 377
Mining infrastructure	24 437	36 267
Other equipment and vehicles	217 010	492 904
Plant and machinery	2 583 799	4 185 709
Properties under construction	338 103	180 475
	16 610 166	25 686 739

1. PROPERTY, PLANT AND EQUIPMENT continued

Useful lives

The following useful lives were used in the calculation of depreciation:

Broadcast studios and equipment	5 to 8 years
Buses	8 to 18 years
Buildings	15 to 50 years
Leasehold improvements	Shorter of the lease term or 50 years
Mining infrastructure (refer to note 5)	Life of the mine
Other equipment and vehicles	2 to 15 years
Plant and machinery	3 to 26 years

The group's gaming and transport interests reassessed the useful lives and residual values of its property, plant and equipment during the year. The impact on depreciation was a credit of R43 million (2020: credit of R52 million) for the year. These changes in estimates are not expected to have a significant impact on the depreciation charge in future periods.

Impairment of property, plant and equipment

The group recognised impairments of property, plant and equipment to the value of R33 million (2020: R1 017 million) during the year.

Hotels segment

During the current year the group lost control of its hotel interests as detailed in note 9. Other than a R2 million impairment of land and buildings during the current year, it was not deemed necessary to impair any of the hotel group's other property, plant and equipment prior to the deconsolidation of the group's assets.

During the prior year the hotels group impaired its land and buildings by R822 million as a result of the impact of COVID-19 on the global economic environment and the uncertainty of medium-term trading conditions for the group. Recoverable amounts were determined by calculating the value-in-use for each property using the discounted cash flow model. Significant unobservable inputs used in these calculations were as follows:

- a 96% reduction in revenue for the first six months of the 2021 financial year. Cash flows for the second half of 2021 and the first half of 2022 reflect a slow recovery in both occupancy and rate with the group's entire portfolio assumed to be fully operational by September 2022 and trading at similar levels achieved in the 2019 financial year. The annual growth rate applied to the cash flow forecasts for the 2023 to 2025 financial years ranged between 4.5% and 5.5%;
- risk-adjusted post-tax discount rate of 14% for South African properties and between 9% and 13.5% for offshore properties; and
- long-term growth rate of 5% for South African properties and 2.1% for offshore properties.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

1. PROPERTY, PLANT AND EQUIPMENT continued

Gaming segment

During the current year the gaming group impaired its property, plant and equipment by R12 million (2020: R180 million).

Current year impairments most significantly include R9 million relating to vacant land, of which R7 million relates to project costs incurred on land development. In the prior year the group recognised impairments of R103 million and R33 million on casino building shells at Hemingways and The Caledon Casinos, respectively, following the reassessment of the value-in-use of the precincts (refer to note 4 for inputs used in these calculations).

Other impairments include plant and equipment with a book value of R3 million (2020: R15 million) at various casino properties due to refurbishment projects and a R13 million impairment on the Sandton Convention Centre during the prior year, mainly due to the uncertain economic outlook resulting from the COVID-19 national lockdown.

Buses with a book value of R10 million (2020: R11 million) were impaired by the group during the current year while plant and machinery with a carrying value of R6 million was impaired by the Deneb group as a result of the restructuring of a division within the group.

At the reporting date the group had contracted with tenants for the following future lease payments under non-cancellable operating leases for property, plant and equipment:

	Group	
	2021 R'000	2020 R'000
Future lease payments receivable:		
– within one year	72 199	81 609
– within one to two years	105 199	74 733
– within two to three years	34 620	55 274
– within three to four years	18 309	36 341
– within four to five years	11 327	16 323
– after five years	1 560	–
	243 214	264 280

A register of land and buildings is available for inspection at the registered office of the company.

Encumbrances

Details of the assets that serve as security for borrowings are presented in note 20.

	Group	
	2021 R'000	2020* R'000
2. INVESTMENT PROPERTIES		
Investment properties consist of:		
Investment properties at cost	142 363	28 470
Investment properties at fair value	5 098 387	9 201 252
Non-current operating lease equalisation assets	140 583	114 802
	5 381 333	9 344 524
Investment properties relate to the group's interests in the following segments:		
Properties	3 750 465	3 519 610
Gaming	321 087	387 227
Hotels	–	4 161 284
Branded products and manufacturing	1 178 467	1 086 964
Other	131 314	189 439
	5 381 333	9 344 524

* Restated, refer to details as set out in note 52.2

2. INVESTMENT PROPERTIES continued

Properties segment

Properties totalling R142.4 million (2020: R28.5 million) are carried at cost as they were still undergoing construction or improvements, and fair values could not be reliably measured at year-end.

The remaining investment properties, totalling R3 608.1 million at 31 March 2021 (2020: R3 491.1 million), are carried at fair value. During the year under review a debit of R18 million (2020: R11 million credit) relating to fair value adjustments on these properties, was recognised in the statement of profit or loss.

The fair value of all properties have been arrived at on the basis of external valuations carried out at year-end by Quadrant Properties Proprietary Limited, an independent firm of valuers not related to the group, unless otherwise stated. During the prior year seven properties were valued by applying the income capitalisation method. Following current year discussions between the directors and the new valuer of these properties, it was decided to change the valuation method to the discounted cash flow method which was considered to be a more appropriate valuation technique for these properties. The impact of COVID-19 on the fair value of investment properties was accounted for by adjusting the free cash flows for increased levels of bad debts, as well as increasing exit capitalisation rates, as appropriate, in valuations carried out. Details on the valuation methods applied and the significant unobservable inputs used are presented in the tables below:

			Significant unobservable inputs					
Valuation method	Number of properties	Fair value R'000	Income growth %	Expense growth %	Net income growth %	Vacancy %	Terminal capitalisation rate %	Discount rate %
2021								
Discounted cash flow	12	2 902 432	4.1 – 8.5	6.6 – 8.6	5.3 – 5.8	1.0 – 5.0	8.8 – 13.5	13.8 – 18
Discounted cash flow[1]	1	352 791	6.9	8.0	5.5	1.5	8.3	13.5
Discounted cash flow[2] (2020: income capitalisation)	1	164 000	5.1	8.2	5.8	8.0	10.5	15.8
Discounted cash flow[3] (2020: income capitalisation)	6	174 171	7.1	8.8	5.5	6.0	9.8	15.0
Direct comparable sales	1	14 709	N/A	N/A	N/A	N/A	N/A	N/A
	21	3 608 103						
2020								
Discounted cash flow	11	2 825 992	5.3 – 7.8	6.9 – 8.6	5.5 – 5.8	0.8 – 5.0	8.3 – 10.5	14.0 – 16.3
Discounted cash flow[1]	1	340 442	6.7	7.8	5.5	2.0	8.0	13.5
Income capitalisation[4]	1	102 032	7.7	7.5	N/A	3.8	13.0	N/A
Income capitalisation[5]	6	180 574	7.0	8.0	N/A	7.5	9.0	N/A
Direct comparable sales	2	42 100	N/A	N/A	N/A	N/A	N/A	N/A
	21	3 491 140						

1 Fair value includes R13 million relating to spare bulk (available areas the group may develop based on available land and permission to develop). The fair value is based on 16 250 m² of land at a bulk rate of R800/m²

2 Fair value includes R16 million relating to spare bulk, based on 10 000 m² of land at a bulk rate of R1 600/m²

3 Fair value includes R45 million relating to spare land and spare bulk. The fair value of spare land is based on 143 residential units at R174 000 each and the fair value of spare bulk is based on 7 400 m² of land at a bulk rate of R2 750/m²

4 Valuation was carried out by Norman Griffiths and Associates CC, independent valuers not related to the group

5 Valuation was carried out by Norman Griffiths and Associates CC. Fair value includes R57 million relating to spare bulk, based on 20 000 m² of land at a bulk rate of R3 500/m², discounted at 15% over two years

The table below indicates the sensitivities of the investment property portfolio by increasing or decreasing value inputs as follows:

	2021		2020	
	Increase R'000	Decrease R'000	Increase R'000	Decrease R'000
5% change in the net cash flows	180 829	(182 170)	177 277	(176 223)
0.25% change in the terminal capitalisation rate	(61 170)	62 829	(60 273)	63 777
0.5% change in the discount rate	(70 170)	65 829	(63 500)	66 500

2. INVESTMENT PROPERTIES continued

Gaming segment

The fair value of investment properties owned by the group's gaming interests at 31 March 2021, totalling R324.8 million (2020: R391.4 million), has been arrived at on the basis of valuations carried out at 31 March 2021 by professionally qualified, external valuers not related to the group.

During the year under review the gaming group recognised a debit of R67 million (2020: debit of R81 million) relating to fair value adjustments on investment properties in the statement of profit or loss. The fair value has been determined using capitalised values of the projected rental income together with the assessment of development land. Vacancies have been considered based on historical and current vacancy factors as well as the nature, location, size and popularity of the properties. The significant adverse impact of COVID-19 on the gaming and hospitality industry had been taken into account by increasing capitalisation and vacancy rates, as appropriate, when determining the fair value of the group's investment properties.

Significant unobservable inputs were as follows:

	2021	2020
Capitalisation rate applied to rental income	10.0% – 10.5%	9.0% – 10.0%
Vacancy rate	5.0% – 10.0%	0.0% – 20.0%

The table below indicates the sensitivities of the gaming group's investment property portfolio by increasing or decreasing value inputs as follows:

	2021		2020	
	Increase R'000	Decrease R'000	Increase R'000	Decrease R'000
1% change in the capitalisation rate	(26 853)	32 627	(41 750)	45 200
1% change in the vacancy rate	(4 210)	4 220	(3 550)	4 250

Hotels segment

During the current year under review the group lost control of its hotel interests as detailed in note 9, resulting in the deconsolidation of its investment properties at the end of December 2020. At 31 March 2020 investment properties owned by the group's hotel interests totalled R4 161.3 million. These properties were independently valued by professionally qualified valuers having recent experience in the location and category of the group's investment properties being valued.

During the prior year the hotels group recognised a debit of R888 million relating to fair value adjustments on investment properties in the statement of profit or loss. Fair values were determined by using the discounted cash flow method by discounting the rental income (based on expected net cash flows of the underlying hotels) after considering capital expenditure requirements. These projected cash flows were discounted using an appropriate discount rate. The core discount rate was calculated using the South African bond yield 10Y at the time of valuation, to which premiums were added for market risk and equity and debt costs. The discount rate took into account a risk premium associated with the local economy as well as that specific to the local property market and the hotel industry.

The impact of COVID-19 and the associated impact on the hospitality industry had a significant impact on the fair value of hotel properties at 31 March 2020. Due to the uncertainty of future trading conditions, forecasts were reduced with 75% in year one and with 25% in year two when compared to actuals as at 31 March 2020. The South African bond yield 10Y increased by 1.9 percentage points from 31 March 2019 (8.61%) to 31 March 2020 (10.51%) with the group using a risk-free rate of 10.50% in 2020 compared to 8.65% in 2019. This resulted in higher exit yields and higher discount rates across the portfolio.

Significant unobservable inputs were as follows:

	2020
Weighted average rental growth rate	5.19%
Terminal capitalisation rate (only five properties exceeded 11%)	9.00% – 13.50%
Risk-adjusted discount rate (only one property lower than 13%)	12.00% – 14.50%

The table below indicates the sensitivities of the hotel group's investment property portfolio at the end of the prior year by increasing or decreasing value inputs as follows:

	2020	
	Increase R'000	Decrease R'000
5% change in the net cash flows	202 600	(202 000)
0.25% change in the terminal capitalisation rate	(54 570)	57 800
0.5% change in the discount rate	(135 400)	142 600

2. INVESTMENT PROPERTIES continued

Branded products and manufacturing segment

The fair value of investment properties owned by the group's branded products and manufacturing interests, totalling R1 202.0 million at 31 March 2021 (2020: R1 110.5 million), had been arrived at on the basis of external valuations carried out by David Newman Property Management, an independent property valuer not related to the group. The valuation technique applied was the capitalisation of income method. The valuation model considers the net operating income of the rent collected and divides it by the capitalisation rate (investor's rate of return), taking into account expected rental income and anticipated expenses for the next 12 months, the properties' location and structure as well as the rental-producing capacity of similar buildings in similar locations. The segment's investment properties portfolio was valued at a weighted average capitalisation rate of 9.9% (2020: 10.5%).

The group recognised a credit of R49 million (2020: debit of R28 million) relating to fair value adjustments on this segment's investment properties in its statement of profit or loss in the current year.

Significant unobservable inputs were as follows:

	2021	2020
Capitalisation rate	8.0% – 12.5%	10.00% – 12.25%
Occupation rate	95% – 98%	95% – 100%
Projected income	R10/m² – R85/m² based on 274 581 m² lettable area	R10/m² – R85/m² based on 274 581 m² lettable area

The table below indicates the sensitivities of the group's investment property portfolio by increasing or decreasing value inputs as follows:

	2021		2020	
	Increase R'000	Decrease R'000	Increase R'000	Decrease R'000
1% change in the capitalisation rate	(89 016)	160 404	(97 611)	118 994
1% change in the projected income	12 713	(10 804)	10 874	(10 874)

A decrease of 1% in the occupation rate would decrease the fair value of the group's investment properties by R17.4 million (2020: R14.7 million).

Other segment

Investment properties owned by the group's other interests comprise vacant land, the Laborie Estate (located in Paarl, Western Cape) and commercial buildings. The fair value of these properties, totalling R131.3 million at 31 March 2021 (2020: R189.4 million), has been arrived at on the basis of internal valuations carried out by the directors. The directors referred to external valuations that were carried out in 2019 by Quadrant Properties Proprietary Limited and The Valuator Group Proprietary Limited, independent firms of valuers not related to the group.

The group did not recognise any fair value adjustments (2020: R7 million debit) on the properties as detailed above, in the statement of profit or loss during the current year. The fair value of the vacant land, totalling R2 million (2020: vacant land and the Picardi Farm, totalling R24 million), was determined by applying the direct comparable sales valuation technique. The Laborie Estate, which comprise agricultural land, a villa and accommodation buildings, was valued at R62 million (2020: R60 million) by the directors by applying the direct comparable sales valuation technique (agricultural land and villa) and free cash flow valuation method (accommodation buildings). Commercial buildings with a fair value of R67 million (2020: R105 million) were valued using the free cash flow method. The group disposed of the Picardi Farm and certain commercial buildings for proceeds of R73 million during the current year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

2. INVESTMENT PROPERTIES continued

Other segment continued

Significant unobservable inputs were as follows:

	Group	
	2021 %	2020 %
Accommodation buildings		
Net income growth rate	5.3	5.5
Occupation rate	40.0 – 50.0	50.0 – 55.0
Entry capitalisation rate	10.0	10.0
Exit capitalisation rate	10.5	10.5
Discount rate	15.3	15.5
Commercial buildings		
Net income growth rate	5.3	5.5
Occupation rate	100.0	88.0 – 97.0
Entry capitalisation rate	9.5	9.8 – 10.5
Exit capitalisation rate	10.0	10.0 – 12.0
Discount rate	14.8	15.0 – 16.0

The table below indicates the sensitivities of these investment properties by increasing or decreasing value inputs as follows:

	2021		2020	
	Increase R'000	Decrease R'000	Increase R'000	Decrease R'000
5% change in the net cash flows	2 539	(2 539)	6 256	(7 381)
0.25% change in the terminal capitalisation rate	(809)	849	(667)	698
0.5% change in the discount rate	(1 730)	1 793	(1 355)	1 270

2. INVESTMENT PROPERTIES continued

	Group	
	2021 R'000	2020* R'000
Reconciliation of carrying value		
At the beginning of the year	9 344 524	10 170 837
Disposal of subsidiaries and businesses (refer to note 48.3)	(1 765 795)	–
Fair value adjustments	(35 840)	(993 218)
Transfer (to)/from property, plant and equipment**	(2 377 718)	12 987
Transfer from/(to) non-current assets held for sale	114 626	(200 000)
Additions	27 070	97 825
Disposals	(73 350)	(11 454)
Improvements	135 477	256 016
Movements in non-current operating lease equalisation assets	12 876	11 531
Other	(537)	–
At the end of the year	5 381 333	9 344 524
Rental income from investment properties (excluding recoveries)	586 873	874 102
Direct operating expenses arising from investment properties that generated rental income during the year	(280 951)	(281 742)
Direct operating expenses arising from investment properties that did not generate rental income during the year	(291)	(1 015)
Fair value of investment properties per valuations carried out	5 266 154	9 343 691
Adjusted for:		
Operating lease equalisation asset		
– non-current portion	(140 583)	(114 802)
– current portion (included in trade and other receivables)	(23 109)	(23 271)
Commission	(4 075)	(4 366)
Adjusted fair value included in the statement of financial position	5 098 387	9 201 252

* Restated, refer to details as set out in note 52.2

** Four of Hospitality Property Fund's properties were vacated by Marriott during the current year, being the Arabella Hotel, Golf & Spa, Hazyview Sun, The Edward and Mount Grace Hotel & Spa. These properties successfully reopened its doors under management agreements with Tsogo Sun Hotels by the end of December 2020. As a result of being internally managed by the group, these properties have all been transferred to owner-occupied properties (refer to note 1)

Rental relief and grants to lessees

The group granted operating lease concessions totalling R48.9 million (2020: Rnil) to a number of its tenants during the current year, with the majority of the relief being afforded during the initial stages of the national lockdown. These concessions were treated as lease modifications and accounted for as new leases from the date of modification.

At the reporting date the group had contracted with tenants for the following future lease payments under non-cancellable operating leases for investment properties:

	Group	
	2021 R'000	2020 R'000
Future lease payments receivable:		
– within one year	506 998	711 296
– within one to two years	377 357	502 951
– within two to three years	262 454	430 592
– within three to four years	180 138	304 894
– within four to five years	130 484	231 562
– after five years	381 529	1 423 528
	1 838 960	3 604 823

Investment properties are classified as level 3 fair value measurements – refer to note 49.4 Fair value estimation.

Details of investment properties are available at the registered office of the company.

Encumbrances

Details of the assets that serve as security for borrowings are presented in note 20.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

3. GOODWILL

	Group 2021 R'000	Group 2020 R'000
Arising on obtaining control of subsidiaries	3 872 534	3 943 166
Reconciliation of carrying value		
At the beginning of the year	3 943 166	4 744 030
– Cost	5 028 164	5 009 317
– Accumulated impairment	(1 084 998)	(265 287)
Business combinations – acquisitions	30 156	18 847
– disposals	(79 788)	–
Transfer from disposal group assets held for sale (refer to note 16.3)	9 156	–
Impairment	(30 156)	(819 711)
At the end of the year	3 872 534	3 943 166
– Cost	4 131 669	5 028 164
– Accumulated impairment	(259 135)	(1 084 998)

Goodwill relates to the group's interests in the following segments/cash-generating units (CGUs):
- gaming (2021: R3 727.9 million; 2020: R3 718.8 million);
- hotels (2021: Rnil; 2020: R79.8 million);
- media and broadcasting (2021: R86.2 million; 2020: R86.2 million);
- transport (2021: R34.9 million; 2020: R34.9 million); and
- branded products and manufacturing (2021: R23.5 million; 2020: R23.5 million).

Goodwill arising on acquisition of subsidiaries

The group recognised goodwill totalling R30.2 million on the acquisition of two subsidiaries by its hotel interests during the current year (refer to note 48). Both these entities were in loss-making positions at the date of acquisition, with the group not expecting any benefits from synergy or the assembled workforce of these businesses at that date. The goodwill was consequently impaired in full as detailed below.

3. GOODWILL continued

Impairment of goodwill

The outbreak of COVID-19 towards the end of the prior financial year has significantly affected the South African economy and the group's operations, specifically those of its gaming and hotel interests as explained in note 51. It is anticipated that the current uncertain economic outlook will continue to have a significant adverse effect on the country's entertainment and hospitality industry in which the group's gaming segment operates. It is therefore anticipated that the gaming group's trading activity and its ability to generate cash flows in the short to medium term will remain under pressure. These uncertainties were factored into the impairment testing of the group's goodwill and intangible assets, specifically casino licences, most of which are indefinite lived. Refer to note 4 for detail on impairment testing performed on the group's casino licences.

The value of each CGU to which goodwill has been allocated, has been determined based on value-in-use calculations using cash flow projections extending over three to five years as prepared by management. In light of the impact of COVID-19 on the group, the key assumptions applied and inputs used in value-in-use calculations were reviewed at year-end and are as follows:

- Income, operating expenses and EBITDA margins (trading assumptions) were estimated by management based on past and current performance and its expectations of market development. The group's forecast models assume a recovery in trading for its operations most severely impacted by COVID-19 during the 2022 and 2023 financial years.
- Cash flows beyond the first three to five-year period are extrapolated using estimated long-term growth rates in order to calculate the terminal recoverable amount. The growth rate estimates consider risks associated with the specific industry in which the CGU operates and are consistent with forecasts included in industry-specific reports, where applicable. Other than for the gaming, and media and broadcasting operations, for which the long-term growth rate was revised downward by 0.6% and 0.5%, respectively, it was not deemed necessary to revise the rate for the remaining CGUs.
- Discount rates are calculated by using the weighted average cost of capital (WACC) of the respective CGUs. WACC is typically calculated using a risk-free bond rate and an equity premium adjusted for specific risks relating to the relevant CGU. The economic downturn resulting from COVID-19 had been factored into the risk premium for individual CGUs.

With the exception of the group's hotel and gaming operations, for which significant unobservable inputs are disclosed below and in note 4, respectively, value-in-use calculations were performed for each CGU using inputs within the following ranges:

Pre-tax discount rate:	15.3% – 23.7% (2020: 16.5% – 20.1%)
Number of years:	3 to 5 years (2020: 3 to 5 years)
Cost growth rate:	4% – 8% (2020: 4.5% – 8.0%)
Long-term growth rate:	4.5% – 6.5% (2020: 5.0% – 6.5%)

Goodwill impairments were recognised for CGUs relating to the following segments:

Hotels (2021: R30.2 million; 2020: R810.1 million)

The group impaired goodwill of R30.2 million (2020: R810.1 million) in respect of its hotel operations during the current year. This impairment relates to the goodwill recognised on the acquisition of two subsidiaries as mentioned above. Both entities are currently in loss-making positions with a slow recovery anticipated, resulting in the full impairment of the goodwill recognised. Following the deconsolidation of the group's hotel interests as detailed in note 9, an impairment assessment of goodwill was not applicable at year-end.

The prior year goodwill impairment of R810.1 million was most significantly as a result of the negative impact of COVID-19 on the hotel industry as explained above.

The following significant unobservable inputs were used in the group's goodwill impairment calculations in the prior year:

- hotel revenue declines by 71% in the 2021 financial year and increases to pre-COVID-19 levels by mid-2023, thereafter increases by 8% and 7% over the following years;
- hotel operating expenditure declines by 38% in the 2021 financial year and increases to pre-COVID-19 levels by mid-2023, thereafter increases by 7% and 6% over the following years;
- post-tax risk-adjusted discount rate of 14%; and
- long-term growth rate of 5.1%.

Branded products and manufacturing (2021: Rnil; 2020: R8.0 million)

During the prior year the Deneb group recognised a goodwill impairment of R8.0 million relating to its Swiss-based subsidiary, Oops Global SA. The impairment was driven by pre-existing challenging trading conditions, compounded by the negative impact of the COVID-19 pandemic on the worldwide economic outlook.

Media and broadcasting (2021: Rnil; 2020: R1.6 million)

During the prior year the eMedia group recognised a goodwill impairment of R1.6 million relating to its Silverline Studios business.

Based on the above calculations, the group has not identified any impairment to goodwill in the remaining CGUs during the current year under review.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

4. INTANGIBLE ASSETS

Group	Computer software R'000	Distribution rights R'000	Licences R'000
2021			
Carrying value at the beginning of the year	51 550	172 396	8 703 953
Disposal of subsidiaries and businesses (refer to note 48.3)	(12 294)	–	–
Additions	7 876	–	12 267
Disposals	(6)	(670)	–
Amortisation	(21 293)	(7 682)	(9 652)
Impairment	(2 978)	–	(112)
Impairment reversals	–	–	186 781
Amounts written off	(7)	–	–
Transfer to programming rights (refer to note 14)	–	(9 754)	–
Transfer from disposal group assets held for sale (refer to note 16.3)	6 197	–	1 483
Carrying value at the end of the year	29 045	154 290	8 894 720
Cost	412 898	329 505	19 230 202
Accumulated amortisation and impairments	(383 853)	(175 215)	(10 335 482)
	29 045	154 290	8 894 720
2020			
Carrying value at the beginning of the year	68 327	187 612	17 915 231
Cost	442 404	342 325	19 027 762
Accumulated amortisation and impairments	(374 077)	(154 713)	(1 112 531)
Business combinations	2	–	–
Additions	14 844	–	1 909
Disposals	(5)	–	–
Amortisation	(23 260)	(12 820)	(26 579)
Impairment	(8 508)	–	(9 186 608)
Transfers	150	–	–
Transfer to disposal group assets held for sale	–	(2 396)	–
Carrying value at the end of the year	51 550	172 396	8 703 953
Cost	457 395	339 929	19 029 671
Accumulated amortisation and impairments	(405 845)	(167 533)	(10 325 718)
	51 550	172 396	8 703 953

* Internally generated intangible assets

Amortisation expenses relating to distribution rights and completed programming, totalling R13.9 million (2020: R19.0 million), have been included in the line item other operating expenses and income in the statement of profit or loss. All other amortisation expenses are included in the depreciation and amortisation line item in the statement of profit or loss.

Brands R'000	Management contracts R'000	Programming completed* R'000	Programming under development* R'000	Trade-marks R'000	Customer-related intangible assets R'000	Total R'000
335 180	17 344	56 014	2 484	26 288	23 004	9 388 213
(335 180)	(16 948)	–	–	(21 860)	–	(386 282)
–	–	–	–	1 372	–	21 515
–	–	(190)	–	–	–	(866)
–	–	(6 202)	–	(1 625)	(1 490)	(47 944)
–	–	–	–	–	–	(3 090)
–	–	–	–	–	–	186 781
–	–	–	–	–	–	(7)
–	–	–	–	–	–	(9 754)
–	–	–	–	–	–	7 680
–	396	49 622	2 484	4 175	21 514	9 156 246
–	396	83 209	2 484	50 849	33 791	20 143 334
–	–	(33 587)	–	(46 674)	(12 277)	(10 987 088)
–	396	49 622	2 484	4 175	21 514	9 156 246
368 535	17 344	62 026	–	25 389	28 189	18 672 653
368 535	17 344	83 208	–	75 290	33 663	20 390 531
–	–	(21 182)	–	(49 901)	(5 474)	(1 717 878)
–	–	–	–	10 911	–	10 913
–	–	191	2 484	278	128	19 834
–	–	–	–	–	–	(5)
–	–	(6 203)	–	(3 877)	(1 688)	(74 427)
(33 355)	–	–	–	(6 263)	(3 625)	(9 238 359)
–	–	–	–	(150)	–	–
–	–	–	–	–	–	(2 396)
335 180	17 344	56 014	2 484	26 288	23 004	9 388 213
368 535	17 344	83 399	2 484	86 329	33 791	20 418 877
(33 355)	–	(27 385)	–	(60 041)	(10 787)	(11 030 664)
335 180	17 344	56 014	2 484	26 288	23 004	9 388 213

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

4. INTANGIBLE ASSETS continued

Useful lives

The following estimated useful lives were used in the calculation of amortisation:

	Estimated useful life	Remaining useful life as at 31 March 2021
Bid costs with limited useful lives	10 to 13 years	5 years
Computer software	2 to 10 years	less than 2.5 years
Trademarks	20 years	2.5 years
Licences with expiry date	12 to 30 years	less than 20 years
Programming under development	*	
Programming completed	Period of economic life	
Distribution rights – factuals**	10 years	8 years
– movies**	Period of economic life	
Customer-related intangible assets	20 years	15 years

* Programming under development has not yet been brought into use. Once brought into use the assets are transferred to programming completed

** Distribution rights represent multi-territory and multi-platform programming rights that the group is able to onsell to other content acquirers in the media industry

There were no significant changes made to useful lives or residual values of intangible assets during the year.

Impairment of intangible assets

The group recognised impairments totalling R3 million (2020: R9 238 million) and impairment reversals of R187 million (2020: Rnil) on its intangible assets during the year. Prior year impairments were most significantly recognised as a result of the outbreak of COVID-19 and the material adverse impact it had on the economy and the group's operations, specifically those of its gaming and hotel interests, as detailed in note 51.

Gaming segment

Casino licences with a carrying value of R8 761 million (2020: R8 574 million) and management contracts having no expiry dates are considered to have an indefinite life, are not amortised and are tested annually for impairment. Casino licences with expiry dates and a carrying value of R99 million as at 31 March 2019 were amortised over the exclusivity period of the respective licence and impaired in full during the prior year.

The group recognised impairment reversals of R187 million (2020: impairments of R9 170 million) on its casino licences during the year. The recoverable amounts of individual casino licences were determined with reference to their value-in-use as part of the CGU to which it relates. The values-in-use of individual CGUs were determined using pre-tax cash flow projections and the following significant unobservable inputs, all of which were adjusted for the impact of COVID-19 on the group's operations as detailed in note 3:

- gaming win for the respective CGUs increases on average by 70% for the 2022 financial year, 7% for the 2023 financial year and then levels out to normal trading levels of 3% over the following years (2020: gaming win increased by 67% for the 2022 financial year, 8% for the 2023 financial year and 3% over the following years);
- operating expenditure increases on average by 64% for the 2022 financial year, 9% for the 2023 financial year and then levels out to normal trading levels of 4% over the following years (2020: operating expenditure increased by 33% for the 2022 financial year, thereafter 4% over the following years);
- risk-adjusted discount rate of 16.8% – 20.9%, pre-tax (2020: average of 17.5%); and
- long-term growth rate of 4.7% (2020: 5.3%).

The revised assumptions and inputs used, as detailed in note 3 and above, resulted in the group recognising impairment reversals of R187 million in respect of four casino precincts. This can mainly be attributed to the projected cash flows for these casino precincts being more positive than anticipated at the end of the previous financial year.

4. INTANGIBLE ASSETS continued

Gaming segment continued

Impairment reversals/(impairments) per casino precinct were as follows:

	2021 R'000	2020 R'000
Silverstar	67 232	(1 450 840)
Garden Route	34 147	(45 050)
Emnotweni	20 281	(346 059)
Blackrock	65 121	(108 901)
Gold Reef City	–	(1 400 839)
Goldfields	–	(130 111)
Montecasino	–	(2 211 695)
Suncoast	–	(2 954 301)
Hemingways	–	(85 688)
The Ridge	–	(436 832)
	186 781	(9 170 316)

A sensitivity analysis was performed on the key assumptions used in the value-in-use calculations and it was concluded that further impairments may be recognised in respect of certain CGUs, given a possible change in any one assumption. An increase in discount rates of 1% may result in further impairments to casino licences of R1 414 million (2020: R1 624 million), impairment reversals of only R43 million compared to R187 million in reversals recognised, and further impairments of R28 million on property, plant and equipment. A decrease in long-term growth rate of 1% may result in further impairments to casino licences of R993 million (2020: R1 201 million), impairment reversals of only R50 million compared to R187 million in reversals recognised, and further impairments of R19 million on property, plant and equipment.

Hotels segment

Hotel brands with a carrying value of R335 million were derecognised on the group's loss of control of its hotel interests (refer to note 9). These brands and management contracts without an expiry date were considered to have an indefinite life, were not amortised and were tested annually for impairment. The group recognised an impairment loss of R33 million on its hotel brands during the prior year. The recoverable amounts of individual brands were determined with reference to their value-in-use by applying a royalty model and using post-tax cash flow projections.

Significant unobservable inputs used in these calculations were as follows:

- term of five years;
- post-tax risk-adjusted discount rate of 14%;
- long-term growth rate of 5.1%; and
- royalty rates of 1.1% – 1.6%.

A sensitivity analysis was performed on the key assumptions used in the prior year value-in-use calculations and it was concluded that further impairments may have been required in respect of certain hotel brands, given a possible change in any one assumption. An increase in post-tax discount rates of 1% may have resulted in further impairments of R35 million and a decrease in long-term growth rate of 1% in further impairments of R26 million.

Branded products and manufacturing segment

Impairment losses on licences with a book value of R17 million, trademarks of R6 million and customer-related intangible assets of R4 million have been recognised by the group during the prior year, all relating to its Oops Global SA and New Just Fun subsidiaries. These impairments were recognised as a result of the lower than previously anticipated projected cash flows of the businesses, driven by pre-existing challenging trading conditions and compounded by the negative impact of the COVID-19 pandemic on the worldwide economic outlook.

Impairment losses on intangible assets have been included in the asset impairments and discontinued operations line items in the statement of profit or loss.

Encumbrances

Details of the assets that serve as security for borrowings are presented in note 20.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS MINING

Group	Evaluation and exploration R'000	Development expenditure R'000	Total R'000
2021			
Carrying value at the beginning of the year	402	36 185	36 587
Amortisation	–	(29 166)	(29 166)
Rehabilitation provision capitalised	–	27 028	27 028
Additions	13	7 910	7 923
Disposal of subsidiary (refer to note 48.3)	–	(20 665)	(20 665)
Carrying value at the end of the year	415	21 292	21 707
2020			
Carrying value at the beginning of the year	346	36 695	37 041
Amortisation	–	(45 946)	(45 946)
Rehabilitation provision capitalised	–	40 717	40 717
Additions	56	4 719	4 775
Carrying value at the end of the year	402	36 185	36 587

Additions include capitalised expenses such as geology costs, engineering costs, environmental costs, feasibility costs, consultants' fees, mining staff costs and capitalised interest.

During the current year the group sold its investment in Mbali Coal Proprietary Limited (Mbali) to Kunolwazi Resources Proprietary Limited (Kunolwazi) for a net cash consideration of R37 million. The effective date of the transaction was 1 March 2021 with the Department of Mineral Resources granting the Mbali mining right to Kunolwazi on 19 January 2021. Further details on this transaction is presented in note 48.3.

Capitalised development assets are amortised over the total expected tons to be produced during the life of the mine. The Palesa Mine is expected to produce 57 009 242 tons during its life with 3 173 572 (2020: 3 597 220) tons produced during the current year. Mbali produced 685 083 (2020: 870 472) tons during the year until date of disposal.

Capitalised development expenditure is tested annually for impairment in accordance with IAS 36. The recoverable amount of the CGU, being the specific mine, has been determined with reference to a discounted cash flow valuation of the mine. An inflation rate of 6% (2020: 6%) has been applied on cash flows that have been discounted at 13% (2020: 16%) for Palesa.

The following assumptions have been applied when reviewing capitalised development expenditure for impairment:

- future expected profits have been estimated using budgeted projected cash flows extending over the remaining life of 204 months for the Palesa Mine (including Rooipoort Reserve);
- sales growth and gross margins were based on expected sales prices and sales volumes for export and inland coal. Sales and sales prices were assumed to grow in line with expansion and expected inflation as well as taking prices per agreements into account; and
- costs were assumed to grow in line with expansion and expected inflation.

The recoverable amount of the CGU was determined to exceed the net asset value of the Palesa Mine as at 31 March 2021 and no impairment was therefore deemed necessary.

As a sensitivity test for the Palesa projected cash flows, a 5% increase in operating costs per year and a 5% decrease in yield did not indicate that an impairment was required.

6. INVESTMENTS IN ASSOCIATES

Set out below are the associates which, in the opinion of the directors, are material to the group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly and indirectly by the group. The country of incorporation or registration is also their principal place of business and the proportion of ownership interest is the same as the proportion of voting rights held, unless otherwise stated.

			Group interest		Group		Company	
Name of associate	Country of incorporation/ Place of business	Principal activity	**2021 %**	2020 %	**2021 R'000**	2020 R'000	**2021 R'000**	2020 R'000
Cape Town Film Studios Proprietary Limited	South Africa	Media	**42.5**	42.5	**138 184**	134 048	**–**	–
Impact Oil & Gas Limited	United Kingdom	Oil and gas exploration	**49.2**	48.5	**1 602 641**	1 574 415	**–**	–
RBH Hotel Group Limited	United Kingdom	Hotel management	**–**	26.4	**–**	128 761	**–**	–
International Hotel Properties Limited	British Virgin Islands	Hotel and leisure	**–**	25.9	**–**	316 635	**–**	–
Karoshoek Solar One (RF) Proprietary Limited[1]	South Africa	Solar energy	**10.0**	10.0	**116 161**	183 274	**–**	–
Platinum Group Metals Limited[2]		Mineral properties exploration and development	**29.4**	31.4	**308 743**	380 057	**–**	–
Tsogo Sun Hotels Limited[3]	South Africa	Hotel and leisure	**40.5**	–	**1 285 320**	–	**229 586**	–
Other associates[4]					**120 516**	124 972	**3 000**	3 000
					3 571 565	2 842 162	**232 586**	3 000
Market valuation (level 1 fair value measurement)								
– Platinum Group Metals Limited					**1 226 974**	440 159		
– Tsogo Sun Hotels Limited					**1 267 386**	–		

[1] The group's shareholding combined with its representation on the board of directors are sufficient for the group to exercise significant influence over the entity's strategy and operations

[2] The company is incorporated in Canada and its principal investment is in South Africa

[3] During the current year the group lost control of its hotel interests as detailed in note 9. The group retained significant influence over Tsogo Sun Hotels with exercisable voting rights of 40.5% and an economic interest of 35.3% at year-end

[4] Current year profits from continuing operations include equity-accounted losses of R8.7 million (2020: equity-accounted earnings of R9.0 million) relating to these entities. A list of these associates is available for inspection at the company's registered office

Assessing control (direct and de facto) of associates

The conclusion regarding control or significant influence relating to associates is reassessed on an annual basis. In performing this assessment, the directors determine whether or not the group has control over the respective investee based on whether the group has the practical ability to direct the significant activities unilaterally. In making this assessment, the following factors are considered:

- the group's shareholding in the investee relative to other investors;
- the relative size of and concentration of other shareholders;
- the inability of the group to unilaterally appoint the majority of board members of the investee;
- the absence of related key management between the group and the investee;
- composition of the investee's board and board appointees of the group; and
- the lack of any contractual or legal rights conferred upon the group by the investee or any other shareholder of the investee to direct its activities.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

6. INVESTMENTS IN ASSOCIATES continued

The summarised financial information in respect of the group's principal associates is set out below:

	Cape Town Film Studios Proprietary Limited As at 31 March/ for the period ended 31 March		Impact Oil & Gas Limited As at 31 December/ for the period ended 31 December		RBH Hotel Group Limited As at 31 March/ for the period ended 31 March	
	2021 R'000	2020 R'000	**2020 R'000**	2019 R'000	**2021 R'000**	2020 R'000
Summarised statement of financial position						
Total non-current assets	**294 785**	293 261	**1 486 375**	1 031 171	**–**	41 499
Total current assets	**18 899**	12 735	**788 003**	998 012	**–**	160 519
Total non-current liabilities	**–**	–	**–**	(27 639)	**–**	–
Total current liabilities	**(258 787)**	(257 250)	**(61 425)**	(79 409)	**–**	(227 093)
Net assets/(liabilities)	**54 897**	48 746	**2 212 953**	1 922 135	**–**	(25 075)
Reconciliation to carrying amounts:						
Opening net assets/(liabilities) at 1 April	**48 746**	(10 109)	**1 922 135**	1 509 718	**(25 075)**	38 579
Deemed disposal of subsidiary – loss of control[1]	**–**	–	**–**	–	**80 630**	–
Profit/(loss) for the year	**7 401**	58 855	**527 332**	(324 587)	**(9 395)**	35 648
Other comprehensive (loss)/income	**–**	–	**(384 942)**	280 184	**(46 160)**	50 564
Other equity movements	**(1 250)**	–	**148 428**	456 820	**–**	(65 477)
Dividends paid	**–**	–	**–**	–	**–**	(84 389)
Closing net assets/(liabilities) attributable to owners	**54 897**	48 746	**2 212 953**	1 922 135	**–**	(25 075)
Group's share in %	**42.5%**	42.5%	**49.2%**	48.5%	**–**	26.4%
Group's share in R'000	**23 331**	20 717	**1 088 773**	932 235	**–**	(6 615)
Loans to associates[2]	**114 853**	113 331	**–**	–	**–**	–
Impairment[3]	**–**	–	**–**	–	**–**	(17 273)
Translation	**–**	–	**172 193**	499 696	**–**	34 235
Goodwill and intangible asset	**–**	–	**341 675**	142 484	**–**	118 414
Carrying value of investments in associates	**138 184**	134 048	**1 602 641**	1 574 415	**–**	128 761
Summarised statement of comprehensive income						
Revenue	**45 674**	56 587	**–**	–	**78 179**	1 404 604
Profit/(loss) from operations	**7 401**	58 855	**527 332**	(324 587)	**(9 395)**	35 648
Profit/(loss) for the year	**7 401**	58 855	**527 332**	(324 587)	**(9 395)**	35 648
Other comprehensive (loss)/income	**–**	–	**(384 942)**	280 184	**(46 160)**	50 564
Total comprehensive income/(loss)	**7 401**	58 855	**142 390**	(44 403)	**(55 555)**	86 212
Dividends received from associates	**–**	–	**–**	–	**–**	22 262
Share of associates' profits/(losses) for the year	**3 145**	25 013	**257 682**	(159 080)	**(2 479)**	9 404

[1] During the current year the group lost control of its hotel interests as detailed in note 9. This resulted in the deconsolidation of the net assets of Tsogo Sun Hotels, including its equity-accounted investment in RBH Hotel Group Limited

[2] Loans to Cape Town Film Studios Proprietary Limited represent by nature a further investment in the entity and are therefore included in the carrying value of the investment. Loans totalling R17 million (2020: R17 million) and R98 million (2020: R96 million), respectively, are secured and have no fixed terms of repayment. The former bears interest at the prime rate whereas the outstanding loan balance of R98 million is interest free. These loans do not expose the group to any credit risk since the associate has provided properties to serve as security for these borrowings. At year-end a valuation was performed on these properties with the fair value found to exceed the total carrying value of the investment in associate. No expected credit losses has therefore been recognised in relation to these loan balances.

[3] In the prior year the group impaired its investment in RBH Hotel Group Limited by R17.3 million. This impairment was recognised as a result of the lower than previously anticipated projected cash flows of the business, due to the negative impact of COVID-19 on the UK economy

6. INVESTMENTS IN ASSOCIATES continued

	International Hotel Properties Limited As at 31 March/ for the period ended 31 March		Karoshoek Solar One (RF) Proprietary Limited As at 31 December/ for the period ended 31 December	
	2021 R'000	2020 R'000	**2020 R'000**	2019 R'000
Summarised statement of financial position				
Total non-current assets	**–**	3 059 234	**9 631 821**	10 049 619
Total current assets	**–**	125 779	**787 720**	405 598
Total non-current liabilities	**–**	(1 343 572)	**(8 873 063)**	(8 544 771)
Total current liabilities	**–**	(423 177)	**(384 872)**	(77 711)
Net assets	**–**	1 418 264	**1 161 606**	1 832 735
Reconciliation to carrying amounts:				
Opening net assets at 1 April	**1 418 264**	1 268 030	**1 832 735**	2 334 235
Deemed disposal of subsidiary – loss of control[1]	**(1 362 202)**	–	**–**	–
Loss for the year	**(404 521)**	(66 128)	**(149 034)**	(274 497)
Other comprehensive income/(loss)	**348 459**	216 362	**(218 536)**	(82 248)
Other equity movements	**–**	–	**91 441**	245
Dividends paid	**–**	–	**(395 000)**	(145 000)
Closing net assets attributable to owners	**–**	1 418 264	**1 161 606**	1 832 735
Group's share in %	**–**	25.9%	**10.0%**	10.0%
Group's share in R'000	**–**	367 330	**116 161**	183 274
Translation	**–**	(91 655)	**–**	–
Goodwill and intangible asset	**–**	40 960	**–**	–
Carrying value of investments in associates	**–**	316 635	**116 161**	183 274
Summarised statement of comprehensive income				
Revenue	**15 187**	159 163	**1 455 236**	931 759
Loss from operations	**(404 521)**	(66 128)	**(149 034)**	(274 497)
Loss for the year	**(404 521)**	(66 128)	**(149 034)**	(274 497)
Other comprehensive income/(loss)	**348 459**	216 362	**(218 536)**	(82 248)
Total comprehensive (loss)/income	**(56 062)**	150 234	**(367 570)**	(356 745)
Dividends received from associates	**–**	–	**39 500**	14 500
Share of associates' losses for the year	**(104 771)**	(17 127)	**(14 903)**	(27 450)

[1] During the current year the group lost control of its hotel interests as detailed in note 9. This resulted in the deconsolidation of the net assets of Tsogo Sun Hotels, including its equity-accounted investment in International Hotel Properties Limited

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

6. INVESTMENTS IN ASSOCIATES continued

	Platinum Group Metals Limited As at 28 February/ for the period ended 28 February		Tsogo Sun Hotels Limited As at 31 March/ for the period ended 31 March	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Summarised statement of financial position				
Total non-current assets	596 859	683 431	12 741 725	–
Total current assets	156 425	56 356	1 362 366	–
Total non-current liabilities	(455 715)	(651 243)	(4 746 762)	–
Total current liabilities	(17 953)	(66 300)	(1 917 030)	–
Non-controlling interest	–	–	(96 983)	–
Net assets attributable	279 616	22 244	7 343 316	–
Reconciliation to carrying amounts:				
Opening net assets/(liabilities) at 1 April	22 244	(378 684)	–	–
Deemed disposal of subsidiary – loss of control[1]	–	–	7 414 726	–
Loss for the year	(182 033)	(145 969)	(578 009)	–
Other comprehensive income/(loss)	8 957	(155 200)	46 166	–
Other equity movements	430 448	702 097	460 433	–
Closing net assets attributable to owners	279 616	22 244	7 343 316	–
Group's share in %	29.4%	31.4%	35.3%	–
Non-controlling interest's share in %	–	–	5.2%	–
Group's share in R'000	82 207	6 985	2 468 191	–
Non-controlling interest's share in R'000	–	–	381 852	–
Impairment[2]	–	–	(1 564 723)	–
Translation	5 651	94 817	–	–
Goodwill and intangible asset	220 885	278 255	–	–
Carrying value of investments in associates	308 743	380 057	1 285 320	–
Summarised statement of comprehensive income				
Revenue	–	–	372 431	–
Loss from operations	(182 033)	(145 969)	(566 602)	–
Loss for the year	(182 033)	(145 969)	(566 602)	–
Other comprehensive income/(loss)	8 957	(155 200)	45 681	–
Total comprehensive loss	(173 076)	(301 169)	(520 921)	–
Share of associates' (losses)/profits for the year[3]	(56 521)	(39 937)	1 858 000	–

[1] During the current year the group lost control of its hotel interests as detailed in note 9. This resulted in the deconsolidation of the net assets of Tsogo Sun Hotels and the subsequent accounting of the group's investment in THL as an associate. The accounting in respect of the deemed acquisition of the associate is provisional as at the reporting date and will be finalised within 12 months from the date of acquisition

[2] The group impaired its investment in Tsogo Sun Hotels (THL) by R1 565 million during the current year, while the company recognised an impairment loss of R239 million on its investment in THL.

Indicators of impairment were the subdued trading price of THL's shares and the group's continued weak and unpredictable trading as a result of the COVID-19 pandemic and related government interventions.

The value-in-use was determined by using the following significant unobservable inputs:

- income increases by 132% in the 2022 financial year and then by 46% in the 2023 financial year, 23% in the 2024 financial year, thereafter between 9% and 4% over the following years. Income forecasts provided for further trade disruptions as a result of the COVID-19 pandemic;
- operating expenditure increases by 80% in the 2022 financial year, 41% in the 2023 financial year, 12% in the 2024 financial year, thereafter between 7% and 4% over the following years;
- risk-adjusted discount rate of 13.4% post-tax; and
- long-term growth rate of 4.5%.

The fair value less cost of disposal was calculated using the five-day volume weighted average share price. The latter was higher than the calculated value-in-use and the investments of both the group and the company were therefore impaired to the fair value less cost of disposal.

[3] The share of THL's profits for the year includes a gain on bargain purchase of R2 094 million. This gain was recognised as a result of the group losing control of THL, being the excess of the group's share of the net fair value of THL's identifiable assets and liabilities at the date control was lost over the cost of the group's investment in THL

7. INVESTMENTS IN JOINT ARRANGEMENTS

Set out below are the joint arrangements which, in the opinion of the directors, are material to the group:

Name of joint arrangement	Country of incorporation/ Place of business	Principal activity	Group interest 2021 %	Group interest 2020 %	Group 2021 R'000	Group 2020 R'000
United Resorts and Hotels Limited[1]	Seychelles	Hotels	–	50	–	124 226
Other joint arrangements[2]					2 413	11 384
					2 413	135 610
Cost					2 413	135 610
Accumulated impairment					–	–
Carrying value					2 413	135 610

[1] On 13 July 2020 the group disposed of its investment in United Resorts and Hotels Limited for a consideration of R467 million, resulting in a gain on disposal of R355 million being recognised and included in the discontinued operations line item in the statement of profit or loss

[2] A list of these is available for inspection at the company's registered office

The summarised financial information in respect of the group's principal joint arrangements is set out below:

	United Resorts and Hotels Limited 2021 R'000	United Resorts and Hotels Limited 2020 R'000
Current assets	–	95 684
Non-current assets	–	511 104
Current liabilities	–	(48 048)
Income	–	149 027
Expenses	(5 123)	(140 854)
Group's share of joint arrangement's (losses)/profits for the year	(2 562)	4 086

	Group 2021 R'000	Group 2020 R'000
8. OTHER FINANCIAL ASSETS		
Financial assets carried at fair value through profit or loss		
Equity securities	246 488	35 340
Financial assets carried at fair value through other comprehensive income		
Equity securities	678 771	902 167
Unit trust investments	17 928	16 601
Other	40	40
	696 739	918 808
Amortised cost		
Cumulative redeemable preference shares	88 338	82 839
Derivative financial instruments		
Put option	–	–
Foreign currency exchange contracts	–	37 823
	–	37 823
	1 031 565	1 074 810
Current portion	–	37 823
Non-current portion	1 031 565	1 036 987
	1 031 565	1 074 810

8. OTHER FINANCIAL ASSETS continued

Fair value of equity securities carried at fair value through profit or loss
Equity instruments carried at fair value through profit or loss comprises the group's investment in Montauk Renewables Inc, a company listed on the Nasdaq Capital Market. The fair value of these shares was determined with reference to its quoted price at 31 March 2021, resulting in fair value adjustments totalling R129.4 million being credited to profit or loss (2020: R0.5 million debit).

Fair value of equity securities carried at fair value through other comprehensive income
During 2017, aligned with the gaming group's desire to increase its exposure in the Western Cape province, it entered into a transaction with Sun International Limited (SI) and Grand Parade Investments Limited (GPI) for the acquisition of a 20% equity interest in each of SunWest International Proprietary Limited (SunWest) and Worcester Casino Proprietary Limited (Worcester). The group has pre-emptive rights but no representation on the board of directors of either company and has no operational responsibilities. The group also has no access to any information regarding the companies, except for that to which it has statutory rights as a shareholder. These investments are classified as a level 3 fair value measurement and has been classified as a financial asset designated at fair value through other comprehensive income – refer to note 49.3 Fair value estimation.

At the end of each reporting period the investment is remeasured and the increase or decrease recognised in other comprehensive income. The asset has been remeasured to R674.5 million at 31 March 2021 (2020: R897.9 million). A discounted cash flow valuation was used to estimate the fair value. The valuation model considers the present value of net cash flows to be generated from SunWest and Worcester, together with their operating capital expenditure, taking into account expected growth in gaming win and other revenue generated from non-gaming-related activities. The expected net cash flows are discounted using a post-tax risk-adjusted discount rate. Among other factors, the discount rate estimation considers risks associated with the gaming and hospitality industry in which SunWest and Worcester operates. The current year fair value loss of R223.4 million (2020: R367.8 million loss) was recognised as a result of the outbreak of COVID-19 which has significantly affected the South African economy. As discussed in note 3, it is anticipated that the group's gaming operations will experience a strong recovery in trading off a very low base during 2022, reaching normal growth rate levels from 2025.

The significant unobservable inputs used in the fair value measurement of the group's investment in SunWest and Worcester as at 31 March 2021 are as follows:

- income increases by 92% for the 2022 financial year, 13% for the 2023 financial year, 11% for the 2024 financial year and then levels out to normal trading levels of 3% over the following years (2020: income increased by 67% for the 2022 financial year, 8% for the 2023 financial year and 3% over the following years);
- operating expenditure increases by 44% for the 2022 financial year, 7% for the 2023 financial year, 17% for the 2024 financial year and then levels out to normal trading levels of 4% over the following years (2020: operating expenditure increased by 33% for the 2022 financial year, thereafter 4% over the following years);
- post-tax risk-adjusted discount rate of 14.8% (2020: 14.3%); and
- long-term growth rate of 4.7% (2020: 5.3%).

The table below indicates the sensitivities for the valuation by increasing or decreasing the above inputs by 1%:

	2021		2020	
	Increase R'000	Decrease R'000	Increase R'000	Decrease R'000
Expected gaming win growth	48 365	(46 831)	109 564	(105 616)
Operating expenditure growth	(36 048)	34 859	(83 712)	80 776
Risk-adjusted discount rate	(67 826)	82 656	(99 495)	124 486
Long-term growth rate	59 720	(48 988)	93 406	(74 627)

Unit trust investments carried at fair value through other comprehensive income
Cash which is restricted in terms of the trust deed of the HCI Khusela Rehabilitation Trust to be utilised exclusively for the rehabilitation of the Palesa Mine was invested in unit trusts. The fair values of listed or quoted investments are based on the quoted market price at reporting date. The unit trusts are classified as a level 2 fair value measurement and have been classified as a financial asset designated at fair value through other comprehensive income – refer to note 49.3 Fair value estimation.

Cumulative redeemable preference shares at amortised cost
The preference shares issued by Retail Africa Fund to the group have a redemption date of 8 October 2022. Dividends accrue at 72% of the prime rate of interest and are paid quarterly for periods ending June, September, December and March. These receivables do not contain any credit risk since the issuer of the preference shares has provided securities for these borrowings. The fair value of these securities exceeds the total carrying value of the investment at year-end and no expected credit losses has therefore been recognised by the group.

Fair value of put option
In terms of the gaming group's acquisition agreement of the SunWest and Worcester interests mentioned above, in the event that any party acquires 35% or more of the issued ordinary shares of SI, triggering a change in control of the SI group, the group may elect to put its equity interests in SunWest and Worcester to SI. SI can elect to either settle the put option by the issue of new ordinary shares in SI and/or for a cash consideration, based on the aggregate value of the group's interest in SunWest and Worcester. No derivative has been recognised as the fair value of the option is Rnil at 31 March 2021 (2020: Rnil).

Encumbrances
Details of the assets that serve as security for borrowings are presented in note 20.

	Company	
	2021 R'000	2020 R'000
9. SUBSIDIARY COMPANIES		
Shares at cost less impairment	9 962 265	10 188 896
Amounts owing from subsidiary companies – non-current (net of impairment)	2 222 084	3 268 664
	12 184 349	13 457 560
Amounts owing to subsidiary companies	(755 560)	(902 122)
	11 428 789	12 555 438

Investments in subsidiary company shares

The company recognised impairments of R2 754 million (2020: R6 452 million) and impairment reversals totalling R43 million (2020: R217 million) on its investments in subsidiary company shares during the current year. Indicators of impairment included net asset deficiency of the relevant entity's statement of financial position and deteriorating market conditions, combined with subdued share prices. The impairments and reversals were determined based on the fair value adjusted net asset carrying value of these entities. There were no further indicators of impairment for the remaining investments at reporting date.

The company recognised the following impairments on subsidiary company shares during the year:

	Company	
Name of subsidiary	2021 R'000	2020 R'000
HCI Invest 6 Holdco Proprietary Limited	871 739	–
HCI Niveus Holdco 1 Proprietary Limited	134 465	–
Niveus Investments Limited	239 531	–
Tuffsan 88 Proprietary Limited	655	–
Tsogo Sun Gaming Limited	156 927	623 178
TIH Prefco (RF) Proprietary Limited	1 157 110	5 699 375
HCI Treasury Proprietary Limited	193 160	–
Deneb Investments Limited	–	129 447
	2 753 587	6 452 000

Loans granted to subsidiaries

Amounts owing from subsidiary companies are interest free and have no set repayment dates. The company has no intention of calling on any of its subsidiaries to settle their outstanding loan balances within the next 12 months.

A loan is considered to be in default when there is evidence that the borrower is in significant financial difficulty such that it will have insufficient funds to repay the loan on demand. This is assessed based on a number of factors, including various liquidity and solvency ratios.

A significant increase in credit risk (SICR) assessment is performed qualitatively by reference to the borrower's cash flow and liquid asset position. The risk that the subsidiary will default on an on-demand loan depends on whether it has sufficient cash or other liquid assets to repay the loan immediately, resulting in the risk of default being assessed as either low (possibly close to 0%) or high (possibly close to 100%).

A loan is considered to be credit impaired if it meets the definition of a defaulted loan.

In terms of the impairment requirements of IFRS 9, the company uses forward-looking information to recognise expected credit losses (ECLs) on loans receivable, resulting in ECLs of R830 million (2020: R1 932 million) being recognised on specific amounts owing from subsidiaries as at 31 March 2021. These loans were considered to have a higher credit risk profile and were therefore provided for on a one-on-one basis. Forward-looking information used in the assessment of ECLs included the budgets of individual subsidiaries, all of which had been adjusted for the impact of COVID-19 on its operations. The remaining balances owing from subsidiaries do not expose the company to significant credit risk and any ECLs on these balances are considered to be immaterial.

Movements in the allowance for ECLs on loans to subsidiary companies are as follows:

	Company	
	2021 R'000	2020 R'000
Loss allowance as at 1 April	1 932 087	1 706 633
Loss allowance recognised during the year	300 512	723 894
Loss allowance unused and reversed during the year	(1 000)	(498 440)
Loss allowance recognised on distribution of impaired loans by subsidiary company	333 876	–
Loss allowance reclassified on capitalisation of loan*	(1 735 850)	–
Loss allowance as at 31 March	829 625	1 932 087

* A subsidiary loan receivable with a face value of R3 429 million had been capitalised as an investment in the shares of the subsidiary with the loss allowance at date of capitalisation reclassified to accumulated impairments on investments in subsidiary shares.

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FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

9. SUBSIDIARY COMPANIES continued

Interests in subsidiaries

Set out below are the group's principal subsidiaries at year-end. Unless otherwise stated the subsidiaries have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business.

Name of entity	Principal activities	Place of business/ Country of incorporation	% of effective interest held by the group 2021 %	2020 %	% exercisable voting rights 2021 %	2020 %
Tsogo Sun Gaming Limited*	Gaming	South Africa	49.7	49.8	49.7	49.8
Tsogo Sun Hotels Limited**	Hotels	South Africa	**	49.2	**	49.2
eMedia Investments Proprietary Limited***	Media and broadcasting	South Africa	54.4	42.6	67.7	67.7
Deneb Investments Limited	Branded products and manufacturing	South Africa	85.4	85.5	85.4	85.5
Hosken Passenger Logistics and Rail Limited***	Transport	South Africa	82.2	82.1	82.5	82.5

* The group controls the board of directors and the non-controlling shareholding is sufficiently fragmented for the group to exercise control over the entity's strategy and operations

** On 30 September 2020 the boards of directors of Hospitality Property Fund (HPF) and Tsogo Sun Hotels Limited (THL) approved a transaction by which THL offered to acquire all of the ordinary shares in the issued share capital of HPF, other than those shares already owned by THL, its subsidiaries and treasury shares (the Offer). The consideration in respect of the Offer was settled at a ratio of 1.77 shares for every one HPF share acquired by THL. Following the failure of the proposed scheme of arrangement, a general offer was implemented in December 2020, the consequence of which was that the group's exercisable voting rights in THL decreased to 41%. As a result, the group was considered to have lost control of THL on 24 December 2020 (refer to note 48.3) with the group's investment in THL subsequently accounted for as an investment in associate (refer to note 6)

*** Investments held through various intermediary companies controlled by the group, resulting in exercisable voting rights being in excess of effective economic interest

9. SUBSIDIARY COMPANIES continued

Changes in shareholding

The table below represents the amounts included in the statement of changes in equity and statement of cash flows resulting from changes in the group's shareholding in the following subsidiaries during the year:

	Statement of changes in equity				Statement of cash flows
Name of subsidiary	Other reserves R'000	Accumulated profits R'000	Non-controlling interest R'000	Total R'000	Transactions with non-controlling shareholders R'000
2021					
Tsogo Sun Hotels Limited and Hospitality Property Fund[1]	(34 871)	521 957	(462 211)	24 875	–
eMedia Holdings Limited and eMedia Investments Proprietary Limited (refer to note 46.3)	(5 941)	1 064 697	(158 888)	899 868	–
Niveus Investments Limited	17 174	(3 976)	(33 204)	(20 006)	(20 006)
Other[2]	2 803	(12 543)	(3 657)	(13 397)	(8 546)
	(20 835)	1 570 135	(657 960)	891 340	(28 552)
2020					
Table Bay Area Rapid Transit Proprietary Limited	–	(25 916)	(52 564)	(78 480)	(78 480)
Sibanye Bus Services Proprietary Limited	–	(5 357)	(21 226)	(26 583)	(26 583)
Tsogo Sun Gaming Limited	–	–	(99 843)	(99 843)	(99 843)
Niveus Investments Limited	15 559	62 168	(194 529)	(116 802)	(116 802)
Deneb Investments Limited	919	15 081	(38 375)	(22 375)	(22 375)
Hosken Passenger Logistics and Rail Limited	–	57 897	(112 960)	(55 063)	(55 063)
La Concorde Holdings Limited	–	9 081	(52 383)	(43 302)	(43 302)
Other[2]	–	16 103	26 541	42 644	(7 003)
	16 478	129 057	(545 339)	(399 804)	(449 451)

1 On 30 September 2020 the boards of directors of Hospitality Property Fund (HPF) and Tsogo Sun Hotels Limited (THL) approved a transaction by which THL offered to acquire all of the ordinary shares in the issued share capital of HPF, other than those shares already owned by THL, its subsidiaries and treasury shares (the Offer). The consideration in respect of the Offer was settled at a ratio of 1.77 shares for every one HPF share acquired by THL

2 Changes in subsidiary shareholding that are not considered to be significant on an individual basis

Non-controlling interests

The group includes the following subsidiaries with non-controlling interests (NCIs) that are material to the group:

	Effective interest held by NCIs		Profit/(loss) allocated to NCI for the year		Accumulated NCI	
Name of subsidiary	2021 %	2020 %	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Tsogo Sun Gaming Limited	50.3	50.2	27 841	(2 747 028)	5 538 101	5 703 038
Tsogo Sun Hotels Limited*	*	50.8	(267 028)	(947 692)	–	6 855 976
eMedia Investments Proprietary Limited	45.6	57.4	69 235	142 610	769 741	886 040
Deneb Investments Limited	14.6	14.5	18 254	(20 953)	232 772	212 009
Hosken Passenger Logistics and Rail Limited	17.8	17.9	31 968	54 955	328 760	324 958
HCI Foundation**	100.0	100.0	119 619	(21 762)	210 827	(5 834)
Other non-material NCIs			(22 295)	20 124	317 783	327 304
			(22 406)	(3 519 746)	7 397 984	14 303 491

* On 30 September 2020 the boards of directors of Hospitality Property Fund (HPF) and Tsogo Sun Hotels Limited (THL) approved a transaction by which THL offered to acquire all of the ordinary shares in the issued share capital of HPF, other than those shares already owned by THL, its subsidiaries and treasury shares (the Offer). The consideration in respect of the Offer was settled at a ratio of 1.77 shares for every one HPF share acquired by THL. Following the failure of the proposed scheme of arrangement, a general offer was implemented in December 2020, the consequence of which was that the group's exercisable voting rights in THL decreased to 41%. As a result, the group was considered to have lost control of THL on 24 December 2020 (refer to note 48.3) with the group's investment in THL subsequently accounted for as an investment in associate (refer to note 6)

** The trust deed of the HCI Foundation was amended during the prior year, resulting in the group gaining effective control of the trust without any economic interest therein

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9. SUBSIDIARY COMPANIES continued

Non-controlling interests continued

Set out below is summarised financial information for each subsidiary that has NCIs that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	Tsogo Sun Gaming Limited		Tsogo Sun Hotels Limited**	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Summarised statement of financial position				
Non-current assets	27 217 179	28 062 973	–	14 392 060
Current assets	1 228 409	3 749 754	–	1 795 853
Disposal group assets held for sale	59 130	–	–	–
Non-current liabilities	(14 858 784)	(15 787 997)	–	(5 566 028)
Current liabilities	(2 148 971)	(4 170 252)	–	(1 369 428)
Disposal group liabilities held for sale	–	–	–	–
Net assets	11 496 963	11 854 478	–	9 252 457
Summarised statement of comprehensive income				
Revenue (including net gaming win)	5 633 778	11 494 988	–	–
Profit/(loss) for the year	41 944	(5 515 856)	(407 121)	(2 070 025)
Other comprehensive (loss)/income	(326 052)	(303 833)	(333 388)	222 932
Total comprehensive (loss)/income for the year	(284 108)	(5 819 689)	(740 509)	(1 847 093)
Dividends paid to non-controlling interests	7 500	466 556	–	244 685
Summarised cash flows				
Cash flows from operating activities	1 010 075	1 124 578	(323 084)	600 973
Cash flows from investing activities	(173 155)	(1 045 823)	429 012	(406 402)
Cash flows from financing activities	(882 039)	(187 957)	(317 417)	282 727

* Restated, refer to details as set out in note 52.1

** On 30 September 2020 the boards of directors of Hospitality Property Fund (HPF) and Tsogo Sun Hotels Limited (THL) approved a transaction by which THL offered to acquire all of the ordinary shares in the issued share capital of HPF, other than those shares already owned by THL, its subsidiaries and treasury shares (the Offer). The consideration in respect of the Offer was settled at a ratio of 1.77 shares for every one HPF share acquired by THL. Following the failure of the proposed scheme of arrangement, a general offer was implemented in December 2020, the consequence of which was that the group's exercisable voting rights in THL decreased to 41%. As a result, the group was considered to have lost control of THL on 24 December 2020 (refer to note 48.3) with the group's investment in THL subsequently accounted for as an investment in associate (refer to note 6).

[2] The trust deed of the HCI Foundation was amended during the prior year, resulting in the group gaining effective control of the trust without any economic interest therein.

Significant restrictions

There are no significant statutory, contractual or regulatory restrictions on the group's ability to access or use its assets and settle its liabilities.

There are no contractual arrangements in place for the provision of financial support to any of the principal subsidiaries, nor has there been any financial or other support provided to these entities during the reporting period. There is no current intention of providing financial or other support to these entities.

Full details of subsidiary companies are provided in annexure A.

eMedia Investments Proprietary Limited		Deneb Investments Limited		Hosken Passenger Logistics and Rail Limited		HCI Foundation[2]	
2021 R'000	2020* R'000	**2021 R'000**	2020 R'000	**2021 R'000**	2020 R'000	**2021 R'000**	2020 R'000
1 619 766	1 503 413	**2 107 289**	2 111 358	**1 713 767**	1 786 707	**265 745**	160 378
1 573 469	1 581 930	**979 443**	1 087 067	**588 632**	576 927	**9 280**	3 864
10 413	24 008	**85 304**	107 200	**–**	–	**–**	–
(429 698)	(370 581)	**(948 813)**	(693 091)	**(597 413)**	(695 780)	**–**	–
(949 910)	(1 046 590)	**(636 864)**	(1 070 053)	**(420 743)**	(441 266)	**(364)**	(471)
(7 863)	(1 897)	**(9 802)**	(79 353)	**–**	–	**–**	–
1 816 177	1 690 283	**1 576 557**	1 463 128	**1 284 243**	1 226 588	**274 661**	163 771
2 428 959	2 491 304	**2 454 753**	2 732 839	**1 641 025**	2 048 402	**–**	–
134 145	248 462	**124 089**	(129 340)	**198 733**	262 910	**110 890**	(302 157)
(8 251)	(5 013)	**4 165**	4 673	**(7 707)**	9 150	**–**	–
125 894	243 449	**128 254**	(124 667)	**191 026**	272 060	**110 890**	(302 157)
–	–	**2 536**	2 182	**24 942**	23 997	**–**	–
205 411	319 364	**191 273**	382 303	**186 993**	276 403	**(23 247)**	19 081
(244 887)	(184 698)	**(52 125)**	(95 831)	**2 262**	(9 584)	**(150)**	95
(93 482)	15 564	**(28 014)**	(45 579)	**(181 097)**	(298 153)	**28 822**	(15 470)

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	Group 2021 R'000	Group 2020 R'000
10. DEFERRED TAXATION		
Movements in deferred taxation		
At the beginning of the year	(4 567 131)	(7 333 881)
Temporary differences on property, plant and equipment	(56 311)	538 543
Temporary differences on intangible assets	(15 946)	2 144 943
Temporary differences on investment properties	(43 262)	(28 560)
Fair value remeasurements	(37 010)	90 802
Provisions and accruals	(24 243)	20 396
Assessed losses	264 359	(59 375)
Business combinations and disposal of subsidiaries:		
Temporary differences on property, plant and equipment	594 466	(5 270)
Temporary differences on intangible assets	101 060	–
Provisions and accruals	(224 394)	(192)
IFRS 16	(83 997)	–
Deferred revenue and income	(8 592)	–
Assessed losses	(140 870)	–
Other	(43 917)	(3 111)
Transfer from/to disposal groups held for sale	–	16 506
Operating lease equalisation assets	(2 628)	(3 239)
Deferred revenue and income	(4 414)	(6 217)
IFRS 16	10 807	53 472
Other	44 861	8 052
At the end of the year	(4 237 162)	(4 567 131)
Analysis of deferred taxation		
Temporary differences on property, plant and equipment	(3 005 556)	(3 575 245)
Temporary differences on intangible assets	(1 693 915)	(1 779 029)
Temporary differences on investment properties	(232 903)	(159 857)
Fair value remeasurements	(173 248)	(137 485)
Provisions and accruals	266 426	515 063
Operating lease equalisation assets	(38 747)	(36 123)
Deferred revenue and income	44 394	57 402
Assessed losses	612 219	488 307
IFRS 16	30 397	103 587
Other	(46 229)	(43 751)
	(4 237 162)	(4 567 131)
Composition of deferred taxation		
Deferred taxation assets	340 893	467 886
Deferred taxation liabilities	(4 578 055)	(5 035 017)
	(4 237 162)	(4 567 131)

Deferred tax assets of R340.9 million (2020: R467.9 million) have been recognised for tax losses carried forward and other temporary differences relating to certain subsidiaries within the group. These assets have been recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable and are therefore considered fully recoverable. An assessment of future taxable profits has been performed at a relevant subsidiary level based on business plans and budgets that take into account the impact of COVID-19 on the businesses of these subsidiaries.

	Group		
	Undiscounted lease payments R'000	Unearned finance income R'000	Net investment in leases R'000
11. FINANCE LEASE RECEIVABLES			
2021			
Lease payments receivable:			
– within one year (included in trade and other receivables)	16 377	4 635	11 742
– within one to two years	11 368	3 693	7 675
– within two to three years	5 390	1 120	4 270
– within three to four years	2 211	467	1 744
– within four to five years	579	219	360
– after five years	4 133	2 302	1 831
	40 058	12 436	27 622
2020			
Lease payments receivable:			
– within one year (included in trade and other receivables)	23 782	6 968	16 814
– within one to two years	16 664	6 532	10 132
– within two to three years	10 502	2 221	8 281
– within three to four years	4 511	801	3 710
– within four to five years	1 455	287	1 168
– after five years	4 311	2 489	1 822
	61 225	19 298	41 927

Finance lease receivables mainly relate to the group's branded products and manufacturing interests. These finance lease arrangements are for electronic equipment and are all denominated in South African Rands. The average term of finance leases entered into is four to five years.

Interest is charged at rates of up to 25%.

There were no contingent rents recognised as income during the year.

Fair value of finance lease receivables

The carrying value approximates fair value as market-related rates have been applied to discount the receivables. These balances do not expose the group to significant credit risk and no expected credit losses were therefore raised in the current or prior year.

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FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

	Group		Company	
	2021 R'000	2020* R'000	2021 R'000	2020 R'000
12. NON-CURRENT RECEIVABLES				
Financial instruments				
Loan to HCI Employee Share Trust (2001)	–	–	11 032	11 032
Amounts due by share scheme participants	5 018	2 620	–	–
Other loans	53 743	237 964	–	–
Non-financial instruments				
Operating lease equalisation assets*	8 797	6 536	–	–
	67 558	247 120	11 032	11 032
Less: Current portion (included in trade and other receivables)	(912)	(25 600)	–	–
	66 646	221 520	11 032	11 032

* Restated, refer to details as set out in note 52.2

Loans to share scheme participants incur fringe benefit tax on interest at 4.5% (2020: 7.5%) as the loans are interest free.

Limited payout machine (LPM) site operator loans with a carrying value of R31.4 million (2020: R14.8 million) are included in other loans, with the group recognising expected credit losses of R3.5 million (2020: R0.7 million), as presented in the matrix below, in respect of these loans. Refer to note 15 for disclosures relating to LPM site operator loans.

In the prior year other loans included a receivable of R191 million from Ithuba Holdings (RF) Proprietary Limited (Ithuba). At 31 March 2020 litigation proceedings were pending in the Johannesburg High Court against Ithuba and related parties relating to the premature repayment of this loan. The loan was repaid, being a purported premature repayment, by Ithuba on 28 September 2016 and reinstated on 29 October 2019. On 7 August 2020 HCI and various of its wholly-owned subsidiaries, together with Zamani, Ithuba, the Mabuza trusts and various of their associates, announced that they had reached an agreement to settle all issues arising from agreements between them. The parties have consequently agreed to abandon all judgments and outstanding litigation in relation thereto, and to cancel all other agreements between them in exchange for payment of R400 million. A gain on settlement totalling R219 million had been recognised by the group and included in the investment surplus line in the statement of profit or loss (refer to note 33). The loan was unsecured and bore interest at a rate of 38.99%, calculated as a 25% nominal annual interest rate compounded monthly, accruing daily, and grossed up for the income tax rate of 28% applicable to companies.

Other loans are due within one to five years and bear interest at rates ranging from 0% to 14% per annum.

All non-current receivables are denominated in South African Rands.

	Group			
	Stage 1 Performing R'000	Stage 2 Under-performing R'000	Stage 3 Non-performing R'000	Total R'000
2021				
Carrying value of LPM site operator loans with expected credit losses	31 377	–	–	31 377
Gross amount	34 876	–	–	34 876
Expected credit loss rate	10%	–	–	10%
Expected credit loss	(3 499)	–	–	(3 499)
2020				
Carrying value of LPM site operator loans with expected credit losses	11 659	2 978	188	14 825
Gross amount	12 061	3 241	270	15 572
Expected credit loss rate	3%	8%	30%	5%
Expected credit loss	(402)	(263)	(82)	(747)

The remaining balance of non-current receivables does not contain significant credit risk and no expected credit losses are therefore raised on these balances.

12. NON-CURRENT RECEIVABLES continued

Allowance for expected credit losses on non-current receivables

Movements in the allowance for expected credit losses on non-current receivables are as follows:

	Group 2021 R'000	Group 2020 R'000
Loss allowance as at 1 April	747	1 937
Loss allowance recognised during the year	2 752	665
Loss allowance unused and reversed during the year	–	(1 855)
Loss allowance as at 31 March	3 499	747

Fair value of long-term loans and receivables

The fair value of long-term interest-bearing receivables approximates the carrying value as market-related rates of interest are charged on these outstanding amounts.

	Group 2021 R'000	Group 2020 R'000
13. INVENTORIES		
Raw materials	141 612	158 303
Work in progress	80 066	335 863
Finished goods	268 615	373 921
Consumables and spares	68 764	116 501
Coal	21 188	38 804
Operating equipment	42 234	32 313
Allowance for obsolete inventory	(1 566)	(1 262)
	620 913	1 054 443

Inventories stated at net realisable value – R340 million (2020: R510 million).

Encumbrances

Details of the assets that serve as security for borrowings are presented in note 20.

	Group 2021 R'000	Group 2020 R'000
14. PROGRAMME RIGHTS		
Television programmes		
– International	799 508	779 530
– Local	275 123	65 825
	1 074 631	845 355
Reconciliation of carrying value		
At the beginning of the year	845 355	792 611
Additions	985 144	766 775
Amortised through other operating expenses	(763 704)	(707 915)
Written off through other operating expenses	(1 918)	(6 116)
Transfer from intangible assets (refer to note 4)	9 754	–
At the end of the year	1 074 631	845 355

International programming with a carrying value of R1.9 million (2020: R6.1 million) was written off in the current year due to these programmes no longer serving the strategy of the group.

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FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
15. TRADE AND OTHER RECEIVABLES				
Trade receivables	1 059 188	1 569 787	–	–
Prepayments	141 654	275 640	–	–
Reinsurance recoveries	183 483	–	–	–
Other receivables	528 126	775 074	7 185	8 473
Allowance for expected credit losses on trade and other receivables	(146 913)	(178 867)	–	–
	1 765 538	2 441 634	7 185	8 473

The carrying value approximates fair value because of the short period to maturity of these instruments.

Trade receivables

The group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

Trade receivables comprise a widespread customer base within various sectors. Credit sales mainly have negotiated credit terms of up to 45 days and are therefore all classified as current.

The group performs ongoing credit evaluations of the financial condition of its customers for both new credit applications and existing customers having credit facilities. These reviews include evaluating previous relations the customer has had with the group, taking into account the length of time and amount of business. New customers are given credit only after meeting strict minimum requirements. The utilisation of credit limits are regularly monitored by reviewing the ageing analysis of these debtors on an ongoing basis. At year-end no customer (2020: one) had debt in excess of 10% of the total trade receivables balance of the group. At 31 March 2020 Eskom Holdings Proprietary Limited (Eskom) owed the group's coal mining business R281 million, of which R131 million was repaid on 1 April 2020. Eskom's remaining debt of R150 million was all current at year-end and included as such in the prior year matrix presented below. The group's trade receivables are of a strong credit quality. Credit limits exceeded during the year under review were closely monitored and management does not expect any losses from non-performance by these counterparties that have not been provided for.

The group measures the lifetime expected credit loss allowance for trade receivables by applying a provision matrix as permitted by IFRS 9 and presented below. Trade receivables are categorised based on specific characteristics, for example geographical area and business type. The provision matrices have been developed by making use of judgement and past default experience of debtors but also incorporates forward-looking information such as the likelihood of default by the debtor and general economic conditions of the industry as at the reporting date. Macroeconomic factors affecting customers' ability to settle the amounts outstanding include the ongoing energy crisis in South Africa, GDP and the significant adverse impact of COVID-19 on the South African economy as well as the financial vulnerability of state-owned enterprises, all of which have been considered by the group in its assessment of expected credit losses.

Debtors that are long outstanding and generally are slow payers are considered to have a higher credit risk profile and are managed and provided for on a one-on-one basis. In determining the loss allowance the group also considered, inter alia, disputes with customers, untraceable debtors, long-overdue account balances, customers handed over to attorneys for collection and customers placed under liquidation.

Certain trade receivables do not expose the group to significant credit risk and no significant losses from non-performance by these counterparties are expected by the group.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within the credit terms and failure to engage with the group on alternative payment arrangements, amongst other, are considered indicators of no reasonable expectation of recovery.

15. TRADE AND OTHER RECEIVABLES continued

Trade receivables continued

On the above basis the expected credit loss allowance for trade receivables as at 31 March 2021 was determined as follows:

Group	Current R'000	> 30 days R'000	> 60 days R'000	> 90 days R'000	Total R'000
	Trade receivables days past due				
2021					
Carrying value of debtors with no expected credit losses recognised					534 759
Carrying value of debtors with specific credit losses recognised					46 552
Gross amount					89 343
Specific credit losses					(42 791)
Carrying value of debtors with expected credit losses	210 723	130 293	30 840	31 474	403 330
Gross amount	213 240	131 290	32 392	58 164	435 086
Expected credit loss rate	1%	1%	5%	46%	7%
Lifetime expected credit loss	(2 517)	(997)	(1 552)	(26 690)	(31 756)
					984 641
Gross amount of trade receivables					1 059 188
Allowance for expected credit losses					(74 547)
Net carrying value of trade receivables					984 641
2020					
Carrying value of debtors with no expected credit losses recognised					735 989
Carrying value of debtors with specific credit losses recognised					52 429
Gross amount					90 914
Specific credit losses					(38 485)
Carrying value of debtors with expected credit losses	367 529	164 911	56 788	76 747	665 975
Gross amount	384 137	180 426	62 736	115 585	742 884
Expected credit loss rate	4%	9%	9%	34%	10%
Lifetime expected credit loss	(16 608)	(15 515)	(5 948)	(38 838)	(76 909)
					1 454 393
Gross amount of trade receivables					1 569 787
Allowance for expected credit losses					(115 394)
Net carrying value of trade receivables					1 454 393

15. TRADE AND OTHER RECEIVABLES continued

Collateral

The group holds no collateral over trade receivables, which can be sold or repledged to a third party.

Other receivables

Other receivables balances relate mainly to loans receivable (including amounts due from gaming site operators), municipal deposits, recoveries, straight-lining of operating leases, finance lease receivables and other sundry receivables.

The IFRS 9 expected credit loss model requires the classification and measurement of expected credit losses using the general model for loans and advances measured at amortised cost. The general model is a three-stage model with the stages being performing (stage 1), underperforming (stage 2) and non-performing (stage 3). Impairments of loans in stage 1 are measured based on a 12-month expected credit loss and loans in stages 2 and 3 are based on a lifetime expected credit loss. In terms of IFRS 9, all loans and advances are assessed on a regular basis to determine whether there has been a significant increase in credit risk. In cases where the significant increase in credit risk has occurred, an impairment equal to the lifetime expected credit loss is recognised. The three-stage model has been developed by making use of judgement and past default experience of loans but also incorporating forward-looking information such as the impact of the COVID-19 pandemic on the South African economy.

The key inputs used for measuring expected credit losses are the probability of default, loss given the default, and the exposure at default. Probability of default is an estimate of the likelihood of default over a given time horizon. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact the probability of default. Loss given the default is an estimate of the loss arising on default. The time of recovery and the recovery rate is taken into account when the loss given the default is estimated. Exposure at default is an estimate of the exposure at a future default date, which is the total balance outstanding at default.

Life time expected credit losses of R69.3 million (2020: R59.8 million) have been recognised on gaming site operator loans and included in the matrix below. These loans comprise amounts due from LPM site owners resulting from initial costs incurred to obtain gaming site approval from the gambling board, as well as funding requirements for maintaining and expanding their operations. The loans are unsecured, interest free, repayable in weekly instalments over periods ranging from 3 to 36 months and discounted at the prevailing prime interest rate. Interest income from these loans is recognised in the statement of profit or loss using the effective interest rate method. Also included in loans are amounts incurred by the group and paid on behalf of site owners to enable them to apply for licences with the gambling board.

The group considers the following to be significant increase in credit risk events:

- sites generating a monthly average gross gaming win below R91 000 over a period of six months; and
- licence approvals that are outstanding from the gaming board for more than 52 weeks.

Specific receivables that have stand-alone characteristics have been considered individually for expected credit losses. The expected credit loss on these receivables is based on the use of judgement, future expectations and information affecting the debtor, together with historical experience.

A portion of other receivables do not contain significant credit risk and no significant losses from non-performance by these counterparties are expected by the group.

15. TRADE AND OTHER RECEIVABLES continued

On the above basis the expected credit loss allowance for other receivables as at 31 March 2021 was determined as follows:

Group	Other receivables (R'000) Stage 1 Performing	Stage 2 Under-performing	Stage 3 Non-performing	Total
2021				
Financial instruments				
Carrying value of other receivables with no expected credit losses recognised	303 438	–	–	303 438
Carrying value of other receivables with specific credit losses recognised	–	–	–	–
Gross amount	–	–	1 480	1 480
Specific credit losses	–	–	(1 480)	(1 480)
Carrying value of other receivables with expected credit losses	51 289	27 075	–	78 364
Gross amount	59 892	79 278	10 080	149 250
Expected credit loss rate	14%	66%	100%	47%
Lifetime expected credit loss	(8 603)	(52 203)	(10 080)	(70 886)
Non-financial instruments included in other receivables				73 958
				455 760
Gross amount of other receivables				528 126
Allowance for expected credit losses				(72 366)
Net carrying value of other receivables				455 760
2020				
Financial instruments				
Carrying value of other receivables with no expected credit losses recognised	547 455	–	–	547 455
Carrying value of other receivables with specific credit losses recognised	–	–	–	–
Gross amount	–	–	1 015	1 015
Specific credit losses	–	–	(1 015)	(1 015)
Carrying value of other receivables with expected credit losses	85 795	4 924	9 544	100 263
Gross amount	93 133	10 869	58 719	162 721
Expected credit loss rate	8%	55%	84%	38%
Lifetime expected credit loss	(7 338)	(5 945)	(49 175)	(62 458)
Non-financial instruments included in other receivables				63 883
				711 601
Gross amount of other receivables				775 074
Allowance for expected credit losses				(63 473)
Net carrying value of other receivables				711 601

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable as shown above.

15. TRADE AND OTHER RECEIVABLES continued

Allowance for expected credit losses on trade and other receivables

Movements in the allowance for expected credit losses on trade and other receivables are as follows:

	Group	
	2021 R'000	2020 R'000
Loss allowance as at 1 April	178 867	153 378
Disposal of subsidiaries	(50 841)	–
Currency translation	3 564	1 914
Transfer to disposal group assets	–	(95)
Loss allowance recognised during the year	75 940	88 468
Receivables written off during the year	(23 031)	(32 562)
Loss allowance unused and reversed during the year	(37 586)	(32 236)
Loss allowance as at 31 March	146 913	178 867

For both trade and other receivables the creation and release of the allowance for credit losses have been included in other operating expenses and income in the statement of profit or loss.

Reinsurance recoveries

The gaming group operates a short-term insurance cell captive for its own account, and also underwrites short-term insurance business for that of the Tsogo Sun Hotels (THL) group both before and after the group lost control of THL. As a result of the gaming group acting as a short-term insurer for certain related parties, mainly THL and its subsidiary, Hospitality Property Fund, it needs to recognise the respective reinsurance receivables and insurance claim payables separately within the statement of finanical position in terms of IFRS 4 Insurance Contracts.

Reinsurance recoveries are the reinsurers' portion of insurance claims that have been provided for, most significantly as a result of the outbreak of COVID-19 in the prior year. The insurance claims payable provision is included in trade and other payables (refer to note 26) as explained below. No reinsurance assets are past due or impaired at the reporting date and the group expects no significant losses from non-performance by these counterparties.

Reinsurance assets and insurance liabilities are reconciled as follows:

Group	Gross claims[1] R'000	Reinsurance recoveries R'000	Net R'000
2021			
Notified claims	185 940	(182 680)	3 260
Unexpired risk reserve	4 790	–	4 790
Incurred but not reported	654	–	654
Total at the beginning of the year[2]	191 384	(182 680)	8 704
Cash paid for claims settled in the year	(14 311)	11 966	(2 345)
Increase/(decrease) in net liabilities:			
– arising from current year claims	11 516	(623)	10 893
– arising from prior year claims	2 771	(12 146)	(9 375)
Total at the end of the year	191 360	(183 483)	7 877
Notified claims	182 547	(183 483)	(936)
Unexpired risk reserve	8 409	–	8 409
Incurred but not reported	404	–	404
	191 360	(183 483)	7 877

[1] Refer to note 26

[2] In the prior year, and on consolidation of the hotels and gaming groups, the balances for insurance claim payables and reinsurance receivables were presented on a net basis. Following the group's loss of control of THL and the deconsolidation of its net assets during the current year, these balances are presented on a gross basis at year-end

15. TRADE AND OTHER RECEIVABLES continued

The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
British Pound	**363**	23 955	**–**	–
Euro	**3 584**	3 020	**–**	–
Kenyan Shilling	**–**	1 869	**–**	–
Mozambican Metical	**–**	11 435	**–**	–
Nigerian Naira	**–**	7 534	**–**	–
South African Rand	**1 747 654**	2 329 721	**7 185**	8 473
Seychelles Rupee	**–**	5 661	**–**	–
Swiss Franc	**1 205**	16 480	**–**	–
Tanzanian Shilling	**–**	1 402	**–**	–
United Arab Emirates Dirham	**–**	1 725	**–**	–
United States Dollar	**12 732**	27 188	**–**	–
Zambian Kwacha	**–**	11 644	**–**	–
	1 765 538	2 441 634	**7 185**	8 473

Encumbrances

Details of assets that serve as security for borrowings are presented in note 20.

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FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

	Group 2021 R'000	Group 2020 R'000
16. DISPOSAL GROUP ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE		
Disposal group assets classified as held for sale	188 221	381 371
Liabilities associated with the disposal group assets held for sale	(17 665)	(106 043)
	170 556	275 328

16.1 Deneb Investments Limited

During the 2019 financial year the Deneb board of directors resolved to dispose of its interests in Frame Knitting Manufacturers and the Brand ID business. The results of these operations were included in discontinued operations in the statement of profit or loss and its assets and liabilities in disposal groups held for sale in the statement of financial position. The group disposed of the Brand ID business during the current year while the disposal process for Frame Knitting Manufacturers was ongoing at 31 March 2021.

Current year property, plant and equipment as presented below, also includes an owner-occupied property to the value of R55 million following the board's decision to dispose thereof.

Assets and liabilities associated with Deneb Investments Limited classified as held for sale included in branded products and manufacturing	2021 R'000	2020 R'000
Property, plant and equipment	73 785	30 934
Right-of-use assets	–	64
Inventories	249	34 726
Trade and other receivables	11 270	41 476
Lease liabilities	(88)	(3 560)
Trade and other payables	(9 714)	(51 137)
Deferred revenue and income	–	(24 637)
Provisions	–	(19)
	75 502	27 847

Refer to note 39.1 for details of operations related to the above assets and liabilities that have been classified as discontinued.

16.2 eMedia Holdings Limited

During the prior year the eMedia board of directors resolved to discontinue the operations of Crystal Brook Distribution and Niveus 13 with a further decision made in the current year to also discontinue the operations of Silverline Studios Proprietary Limited. The results of these operations were reclassified to discontinued operations in the statement of profit or loss and its assets and liabilities included in disposal groups held for sale in the statement of financial position.

Assets and liabilities associated with eMedia Holdings Limited classified as held for sale included in media and broadcasting	2021 R'000	2020 R'000
Property, plant and equipment	1 406	4
Right-of-use assets	4 065	–
Intangible assets	975	1 417
Deferred tax asset	1 058	1 058
Other financial assets	–	12 687
Trade and other receivables	2 475	8 693
Taxation receivable	9	45
Cash and cash equivalents	425	104
Trade and other payables	(7 863)	(1 863)
Taxation payable	–	(34)
	2 550	22 111

Refer to note 39.2 for details of operations related to the above assets and liabilities that have been classified as discontinued.

16. DISPOSAL GROUP ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE continued

	Group 2021 R'000	Group 2020 R'000
16.3 Niveus Investments Limited		
During the year ended 31 March 2019 the Niveus board of directors resolved to dispose of the group's online and retail sports betting interests. The results of these operations were included in discontinued operations in the statement of profit or loss and its assets and liabilities included in disposal groups held for sale in the statement of financial position in the prior year. Following the disposal of these interests to a fellow subsidiary, Tsogo Sun Gaming, during August 2020, its prior year results have been reclassified from discontinued to continuing operations.		
Assets and liabilities associated with Niveus Investments Limited classified as held for sale included in gaming		
Property, plant and equipment	–	8 178
Right-of-use assets	–	11 268
Goodwill	–	9 156
Intangible assets	–	7 680
Deferred tax asset	–	138
Other financial assets	–	304
Trade and other receivables	–	1 443
Cash and cash equivalents	–	11 996
Lease liabilities	–	(4 586)
Deferred tax liability	–	(638)
Trade and other payables	–	(19 569)
	–	25 370
16.4 Tsogo Sun Gaming Limited		
During the year under review the Tsogo Sun Gaming directors undertook to dispose of identified non-core business properties owned by the group. These properties were consequently listed for sale on the market.		
Assets associated with Tsogo Sun Gaming Limited classified as held for sale included in gaming		
Property, plant and equipment	59 130	–
16.5 HCI Properties		
During the prior year the directors of the group's property interests resolved to dispose of three of its investment properties. The process for one of these properties is ongoing at year-end.		
Assets associated with the group's property interests classified as held for sale		
Investment properties	33 000	200 000
16.6 La Concorde Holdings Limited		
During the current year a decision was made by the La Concorde board of directors to dispose of one of its investment properties. This process is ongoing at year-end, resulting in the property being included in non-current assets held for sale in the statement of financial position at 31 March 2021.		
Assets associated with La Concorde Holdings Limited classified as held for sale included in other		
Investment properties	374	–

Encumbrances
Details of the assets that serve as security for borrowings are presented in note 20.

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17. ORDINARY SHARE CAPITAL

	Number of shares			
	2021 '000	2020 '000	**2021 R'000**	2020 R'000
Authorised				
Ordinary shares of 25 cents each	**450 000**	450 000	**112 500**	112 500
Issued				
In issue in the company	**85 620**	85 620	**21 405**	21 405
Treasury shares held by company subsidiaries and employee share trust	**(4 750)**	(4 750)	**(1 187)**	(1 187)
On consolidation	**80 870**	80 870	**20 218**	20 218

Details of the issued share capital and share premium and changes during the current and prior year are as follows:

	Number of shares '000	Share capital R'000	Share premium R'000
In issue at 31 March 2019	90 128	22 532	17 158
Shares repurchased	(4 508)	(1 127)	–
Treasury shares held by company subsidiaries and employee share trust	(4 750)	(1 187)	(17 158)
In issue at 31 March 2020	80 870	20 218	–
In issue at 31 March 2020	**85 620**	**21 405**	**17 158**
Treasury shares held by company subsidiaries and employee share trust	**(4 750)**	**(1 187)**	**(17 158)**
In issue at 31 March 2021	**80 870**	**20 218**	**–**

	2021	2020
The following shares were repurchased by the group:		
Held as treasury shares by a subsidiary	**–**	4 004 447

The weighted average price paid for these shares was R93.36 per share.

Details of options over shares are set out in note 42.

The unissued shares are under the control of the directors until the next annual general meeting.

18. OTHER RESERVES

Group	Foreign currency translation R'000	Share-based payments R'000	Hedging R'000	Revaluation R'000	Other R'000	Total R'000
2021						
At the beginning of the year	1 230 176	24 179	(34 773)	(52 359)	(44 433)	1 122 790
Exchange differences on translation of foreign subsidiaries	(599 156)	–	–	–	–	(599 156)
Reclassification of foreign currency differences on disposal of subsidiaries	(105 578)	–	–	–	–	(105 578)
Equity-settled share-based payments	–	24 911	–	–	–	24 911
Fair value adjustments on equity instruments designated at fair value through other comprehensive income	–	–	–	(146 054)	–	(146 054)
Revaluation of owner-occupied land and buildings on transfer to investment properties	–	–	–	22 642	–	22 642
Fair value losses on cash flow hedges	–	–	(30 418)	–	–	(30 418)
Cash flow hedges recycled to profit or loss on disposal of subsidiary	–	–	24 643	–	–	24 643
Share of other comprehensive losses of equity-accounted investments	–	–	–	–	(6 462)	(6 462)
Effects of changes in holding	(25 143)	202	1 421	1 916	769	(20 835)
At the end of the year	500 299	49 292	(39 127)	(173 855)	(50 126)	286 483
2020						
At the beginning of the year	588 230	20 820	(15 173)	54 531	(28 263)	620 145
Exchange differences on translation of foreign subsidiaries	635 419	–	–	–	–	635 419
Equity-settled share-based payments	–	20 681	–	–	–	20 681
Fair value adjustments on equity instruments designated at fair value through other comprehensive income	–	–	–	(140 225)	–	(140 225)
Revaluation of owner-occupied land and buildings on transfer to investment properties	–	–	–	23 320	–	23 320
Fair value losses on cash flow hedges	–	–	(67 856)	–	–	(67 856)
Cash flow hedges recycled to profit or loss	–	–	48 256	–	–	48 256
Share of other comprehensive losses of equity-accounted investments	–	–	–	–	(16 308)	(16 308)
Effects of changes in holding	6 527	(202)	–	10 015	138	16 478
Release of share-based payment reserve to accumulated profits	–	(17 120)	–	–	–	(17 120)
At the end of the year	1 230 176	24 179	(34 773)	(52 359)	(44 433)	1 122 790

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FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

	Group 2021 R'000	2020 R'000
19. FINANCIAL LIABILITIES		
Derivative financial instruments		
Foreign exchange contracts	2 741	–
Interest rate swaps – cash flow hedges	270 853	279 646
	273 594	279 646
Current portion	45 586	4 876
Non-current portion	228 008	274 770
	273 594	279 646

Foreign exchange contracts
The fair value of derivatives was based upon market valuations. The net market value of all foreign exchange contracts at year-end was calculated by comparing the foreign exchange contracted rates to the equivalent year-end market foreign exchange rates.

Interest rate swaps
The fair value of the group's interest rate swaps used as cash flow hedges, is calculated as the present value of the estimated future cash flows based on observable yield curves, which is consistent with the prior year. The full fair value is classified as a non-current liability if the remaining maturity of the instrument is more than 12 months and as a current liability if the maturity of the instrument is less than 12 months. The maximum exposure to credit risk at the reporting date is the fair value of these derivative liabilities in the statement of financial position.

The group's gaming operations manage its interest rate risk by using floating-to-fixed interest rate swaps. Interest rate swaps have the economic effect of converting floating rate borrowings to fixed rates. Where the group raises long-term borrowings at floating rates, it swaps them into fixed rates in terms of group intervals (mainly quarterly). The difference between fixed contract rates and floating rate interest amounts are calculated by reference to an agreed reference interest rate calculated on agreed notional principal amounts.

Hedge accounting is applied to the group's interest rate swaps, with the effectiveness of the hedges tested at inception and thereafter annually. For effective hedges, gains and losses are recognised in the hedging reserve directly in other comprehensive income (after tax) while gains and losses on ineffective hedges are recognised immediately in profit or loss. The group did not recognise any gains or losses from ineffective cash flow hedges during the year (2020: Rnil). On refinancing the group's debt during the prior year, all cash flow hedges relating to debt that was repaid, were derecognised. This resulted in losses amounting to R136 million being recycled from the cash flow hedge reserve to finance costs in the statement of profit or loss.

As at 31 March 2021, 59% (2020: 60%) of consolidated gross borrowings and 64% (2020: 65%) of consolidated net borrowings were in fixed rates taking into account interest rate swaps.

Fixed interest rate swaps ranged from 7.095% to 8.09% as at 31 March 2021 referenced against the three-month JIBAR of 3.675% (2020: fixed interest rate swaps ranged from 6.69% to 8.09% referenced against the three-month JIBAR of 5.61%).

	Group 2021 R'000	2020 R'000
The notional amounts of the group's outstanding effective interest rate swap contracts at 31 March were:		
Tsogo Sun Proprietary Limited linked to the three-month JIBAR rate		
With a fixed rate of 6.93% matured 30 June 2020	–	1 500 000
With a fixed rate of 8.045% maturing 30 June 2021	1 000 000	1 000 000
With a fixed rate of 8.09% maturing 30 June 2021	2 000 000	2 000 000
With a fixed rate of 7.80% maturing 30 June 2021	500 000	500 000
With a fixed rate of 7.82% maturing 30 June 2021	500 000	500 000
With a fixed rate of 6.89% maturing 31 May 2024*	–	3 500 000
With a fixed rate of 7.135% maturing 31 May 2024*	700 000	–
With a fixed rate of 7.095% maturing 31 May 2024*	560 000	–
With a fixed rate of 7.145% maturing 31 May 2024*	2 240 000	–
Hospitality Property Fund linked to the three-month JIBAR rate		
With a fixed rate of 7.24% maturing 30 June 2022	–	500 000
With a fixed rate of 7.42% maturing 31 March 2022	–	300 000
With a fixed rate of 7.16% maturing 31 March 2023	–	300 000
With a fixed rate of 6.69% maturing 30 September 2024	–	500 000
	7 500 000	10 600 000

* The R3.5 billion swap was novated to other banks during the year under review in order to spread the concentration risk of the group

	Group 2021 R'000	Group 2020 R'000
20. BORROWINGS		
Bank borrowings	6 200 991	9 197 289
Bank mortgages	2 625 656	2 718 170
Instalment sale liabilities	344 211	504 323
Loans from non-controlling interests	195 839	1 033 821
Corporate bonds	6 049 656	7 542 606
Other borrowings	13 561	213 560
Redeemable preference shares	2 155 000	2 155 000
	17 584 914	23 364 769
Current portion of borrowings	(3 919 533)	(5 195 377)
	13 665 381	18 169 392
Secured	17 346 665	22 069 085
Unsecured	238 249	1 295 684
	17 584 914	23 364 769

Loans from non-controlling interests include R46 million (2020: R853 million) owing to the Southern African Clothing and Textile Workers Union. The prior year loan of R853 million was unsecured, bore no interest and was settled in full during the current year, whereas the amount owing at the end of the current year is unsecured, bears interest at the prime interest rate plus 1% and is repayable in full on 31 December 2021. Refer to note 46.3 for further detail on these loan balances. All other loans from non-controlling interests are unsecured, bear no interest and have no fixed terms of repayment.

Maturity dates for the corporate bonds vary between 30 November 2022 and 30 November 2025. The bonds bear interest at the three-month JIBAR plus a margin varying between 1.30% and 1.70% (2020: three-month JIBAR plus a margin varying between 1.30% and 1.95%) and interest is payable in arrears on a quarterly basis. Corporate bonds totalling R250 million (2020: R43 million) are unsecured.

In the prior year other borrowings included a loan of R200 million from the Southern African Clothing and Textile Workers Union. This unsecured loan bore interest at rates varying between 3.75% and 4.75% (2020: 4.75% and 6.25%) during the year and was settled, together with accrued interest, on 22 May 2020.

The redemption dates for the preference shares vary between 3 October 2022 and 1 October 2024, as they will be redeemed in tranches. The dividend rate for preference shares with variable rates is 70% of the prime rate (2020: 70% of the prime rate), while the dividend rates for preference shares with fixed rates vary between 7.11% and 7.50% (2020: dividend rates varied between 7.11% and 7.50%). Following the breach of certain security cover ratios in respect of the company's central borrowings shortly before 31 March 2020, these long-term borrowings have been classified as current in the statement of financial position at the end of the prior year and as at 31 March 2021, even though the shares are not contractually redeemable within 12 months of the current reporting date.

	Group 2021 R'000	Group 2020 R'000
The interest rate profile of the group's interest-bearing borrowings, including the effect of interest rate swaps, is as follows:		
Fixed rates	10 444 178	14 134 942
Floating rates	7 140 736	9 229 827
	17 584 914	23 364 769
Weighted average effective interest rates	7.91%	8.48%
Maturity of these borrowings is as follows:		
Due within one year	3 919 533	5 195 377
Due within one to two years	3 982 618	1 711 081
Due within two to five years	8 819 523	15 570 214
Due after five years	863 240	888 097
	17 584 914	23 364 769
Borrowings analysed by currency:		
Mozambican Metical	–	32 124
South African Rand	17 584 914	21 934 916
United States Dollar	–	1 397 729
	17 584 914	23 364 769

20. BORROWINGS continued

Movements in the carrying value of borrowings are as follows:

Group	Long-term borrowings R'000	Short-term borrowings R'000	Total R'000
2021			
Carrying value at the beginning of the year	18 169 392	5 195 377	23 364 769
Cash flows:			
Raising of new debt	1 059 356	50 767	1 110 123
Debt repayments	(1 276 963)	(1 154 989)	(2 431 952)
Non-cash:			
Settlement of transaction with non-controlling shareholder (refer to note 46.3)	–	(1 004 433)	(1 004 433)
Transfer from trade and other payables	–	10 473	10 473
Effect of changes in foreign exchange rates	(181 573)	–	(181 573)
Reclassification	(648 762)	648 762	–
Disposal of subsidiaries	(3 486 752)	(197 548)	(3 684 300)
New instalment sale agreements	29 894	–	29 894
Interest accrued	–	371 552	371 552
Other	789	(428)	361
Carrying value at the end of the year	13 665 381	3 919 533	17 584 914
2020			
Carrying value at the beginning of the year	16 788 127	4 933 280	21 721 407
Cash flows:			
Raising of new debt	8 597 439	2 469 393	11 066 832
Debt repayments	(7 178 784)	(2 790 074)	(9 968 858)
Non-cash:			
Borrowing facilities received offset between previous lenders[1]	5 343 594	–	5 343 594
Borrowing facilities settled offset between previous lenders[1]	(4 272 000)	(1 071 594)	(5 343 594)
Transfer of IAS 17 finance lease liabilities to lease liabilities on adoption of IFRS 16	(6 492)	–	(6 492)
Effect of changes in foreign exchange rates	268 325	–	268 325
Reclassification	(1 406 769)	1 406 769	–
Business combinations	30 078	11 584	41 662
Changes in fair value	(3 415)	–	(3 415)
New instalment sale agreements	6 526	160 272	166 798
Interest accrued	–	81 880	81 880
Other	2 763	(6 133)	(3 370)
Carrying value at the end of the year	18 169 392	5 195 377	23 364 769

[1] At the time of the gaming group's debt refinancing, certain borrowings in place were settled by lenders offsetting between themselves, resulting in cash not flowing through the group's bank accounts at the time the group received the new borrowing facilities and likewise the existing borrowings were settled

At 31 March 2021 the carrying value of borrowings approximates their fair value as market-related rates have been applied to discount the instruments where applicable.

20. BORROWINGS continued

Collateral

The following represents the book value of assets that serve as security for these borrowings:

	Group 2021 R'000	Group 2020 R'000
Property, plant and equipment	7 247 253	8 720 606
Investment properties*	5 086 290	14 726 508
Inventory	54 593	373 302
Trade and other receivables	701 909	814 189
Pledge of cash in bank accounts	199 850	1 018 465
Non-current assets held for sale	33 000	148 000
Intangible assets	–	56 244
Investments in associates	–	2 307
	13 322 895	25 859 621

* In the prior year investment properties with a carrying value of R9 979 million related to Hospitality Property Fund (HPF) properties over which collateral had been registered in favour of HPF's debt funding providers. On consolidation, however, some of these properties, leased and managed by Tsogo Sun Hotels Limited, were accounted for as property, plant and equipment (both were subsidiary companies of the group at the end of the prior year)

The above securities are inclusive of securities pledged for bank overdrafts, refer to note 27.

The group's shareholding in:

- Hosken Passenger Logistics and Rail Limited;
- eMedia Holdings Limited;
- Tsogo Sun Gaming Limited;
- Tsogo Sun Hotels Limited;
- Deneb Investments Limited;
- Platinum Group Metals Limited;
- La Concorde Holdings Limited;
- Deepkloof Limited (foreign holding company of the group's interests in Impact Oil and Gas Limited and Platinum Group Metals Limited);
- Niveus AG (foreign holding company of the group's interest in Impact Oil and Gas Limited);
- HCI Coal Proprietary Limited;
- HCI Sun Energy Three Proprietary Limited (holding company of the group's interest in Karoshoek Proprietary Limited);
- All holding companies of HCI Properties' property investments;
- TIH Prefco (RF) Proprietary Limited;
- HCI – Treasury Proprietary Limited; and
- various intermediate holding companies of the group's investment interests

have been pledged as security for various debt facilities.

For further information on guarantees issued and suretyships provided for group and company debt facilities, refer to note 47.

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20. BORROWINGS continued

Impact of the COVID-19 pandemic

The outbreak of the COVID-19 pandemic towards the end of the prior year, resulting in initial trade restrictions being placed on businesses and followed up by a national lockdown on 27 March 2020, has had a severe impact on the cash flows of the group's gaming and hotel operations and its ability to meet the covenant requirements in terms of its funding agreements, as detailed in note 51.

The share prices of Tsogo Sun Gaming and Tsogo Sun Hotels deteriorated significantly in the period leading up to the trade restrictions noted above. As a result, the security cover ratio covenants relating to certain central borrowings were breached shortly before 31 March 2020. However, the company and its funders agreed to pursue remedial action and no default occurred. Expected dividends from the group's gaming and hotel operations have also been severely impacted, possibly resulting in the future breach of debt service cover ratio covenants (these have not been breached at the time of release of this report), although management expects debt service obligations on these central borrowings to be complied with for the foreseeable future. Following the breach of covenants as explained above, long-term borrowings totalling R2 355 million at the end of the prior year and as at 31 March 2021 were classified as current borrowings, even though these are not contractually repayable within 12 months of the current reporting date, and remain subject to future covenants to be confirmed after December 2021.

The funders of the group's central debt and at the relevant subsidiaries have remained supportive and have, inter alia, agreed in principle to the following measures:

- the waiver by all lenders of hotel operations' minimum covenant requirements (leverage and interest cover ratios) as at 30 September 2020 and 31 March 2021, respectively. Revised covenants were introduced at Tsogo Sun Hotels level which established a maximum rolling 12-month negative EBITDA. A minimum liquidity level of R500 million is required, which includes available facilities and cash on hand. An event of default will occur if both the EBITDA and liquidity covenants are breached in one of the measurement periods or the EBITDA covenant is breached for two consecutive measurement periods. These covenants were met during the year. At Hospitality Property Fund, lenders introduced a minimum liquidity covenant of R125 million including available facilities and cash on hand. Similarly, Hospitality met these minimum liquidity requirements during the year. The lenders to both Tsogo Sun Hotels and Hospitality have furthermore approved the covenant waivers for September 2021 on the basis that the rolling negative EBITDA threshold be reduced to R533 million, R453 million and R412 million for the quarters subsequent to the reporting date and that revised covenants continue to be measured on a quarterly basis;
- gaming operations' lenders waived the March 2021 financial debt covenants and reset the September 2021 financial debt covenants to a maximum net debt:EBITDA multiple of 4.3 times for September 2021 and 3.8 times for December 2021, allowing headroom above the forecast multiples. Furthermore, the interest covenant was reset so that EBITDA covers interest by not less than 2.9 times by September 2021 and 3.0 times by December 2021. Should that group not meet any of the covenants as agreed, a business plan may be required to be submitted to its lenders within 15 days of such occurrence;
- the granting of additional facility headroom of R60 million to the properties division to assist with cash flow deficits occasioned by tenant defaults and extended rental payment terms. Only an insignificant portion of this facility headroom was utilised, with no further utilisation required or available as at the date of this report; and
- in respect of the company's central borrowings, the pledge of the company's remaining investment interests, resulting in the permanent reconstitution of the total security cover ratio and required interim levels of between 1.55 and 1.9 for the period ending 31 December 2021. The security cover ratio as it relates to the share prices of Tsogo Sun Gaming and Tsogo Sun Hotels was waived for the period ending 31 December 2020 and revised to a required interim level of 0.99 for the period ending 31 December 2021. In respect of the period after 31 December 2021, sustainable prospective security cover ratios will be agreed with lenders, taking into account market conditions at the time. In addition, the debt service cover ratio has been waived for the period up to 31 December 2021, subject to achieving certain predetermined cash flows over the period and central borrowings being R2.5 billion or less at that date. Revised required interim debt service cover ratios have been agreed for the measurement periods ending 31 March 2022 and 30 September 2022.

21. RETIREMENT BENEFIT INFORMATION

21.1 Pension and provident funds

Certain subsidiaries of the group operate pension and provident funds. These are defined contribution funds, governed by the Pension Funds Act, 24 of 1956, which provide retirement and death benefits for all permanent, full-time employees who are not members of any other approved pension or provident fund.

	Group	
	2021 R'000	2020 R'000
21.2 Medical aid		
Non-current post-retirement benefit assets	–	4 045
Non-current post-retirement benefit liabilities	146 453	135 407
Current portion of post-retirement benefit liabilities*	13 177	12 444
	159 630	147 851

21.2.1 A subsidiary pays a monthly grant to the Golden Arrow Employees' Medical Benefit Fund (MBF). The fund uses the grant to cover the outgoings not financed from member contributions. The administrators of the MBF are the Metropolitan Health Group. The subsidiary also makes contributions to Discovery Health.

The calculation of accrued service liability in respect of post-retirement healthcare was performed by Willis Towers Watson Actuaries and Consultants as at 31 March 2021.

Movements in the liability recognised in the statement of financial position are as follows:

	2021 R'000	2020 R'000
Balance at the beginning of the year	60 394	69 029
Net expense recognised in the statement of profit or loss	3 074	4 074
Actuarial losses/(gains)	10 704	(12 709)
	74 172	60 394
Less: Current portion*	(5 233)	(4 559)
Balance at the end of the year	68 939	55 835
The amounts recognised in the statement of profit or loss are as follows:		
Current service cost	1 309	1 709
Interest cost	7 306	6 719
Pensioner subsidy	(5 541)	(4 354)
Total included in employee costs	3 074	4 074

* Included in trade and other payables

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FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

	Group 2021 %	Group 2020 %
21. RETIREMENT BENEFIT INFORMATION continued		
21.2 Medical aid continued		
21.2.1 The principal actuarial assumptions used for the valuation were:		
Discount rate	11.00	12.80
Medical aid subsidy increase rate	8.25	9.05
Normal retirement age (years)	65	65
Continuation of membership at retirement	55.00	55.00

	2021 R'000	2020 R'000	2019 R'000	2018 R'000	2017 R'000
As at 31 March					
Present value of obligations	74 172	60 394	69 029	62 722	72 416

Contributions of R70.1 million (2020: R74.9 million) are expected to be paid into the group's defined benefit scheme during the annual period after 31 March 2021.

	Group 2021 R'000	Group 2020 R'000
As at 31 March the effects of a 0.5% and 1% movement in the discount rate and subsidy rate, respectively, would change the post-retirement medical aid liability to the following:		
Upward movement		
Discount rate increased by 0.5%	70 564	57 657
Subsidy increase rate increased by 1%	82 424	66 646
Downward movement		
Discount rate decreased by 0.5%	78 122	63 372
Subsidy increase rate decreased by 1%	67 189	55 046
21.2.2 A subsidiary of the group subsidises certain past employees who participate in the Discovery Medical Aid Scheme and who joined before 1 July 1996. These past employees are eligible for a 50% retirement subsidy of the total medical scheme contributions.		
Movements in the liability recognised in the statement of financial position are as follows:		
Balance at the beginning of the year	87 457	98 019
Net expense recognised in the statement of profit or loss	9 602	9 836
Contributions	(8 300)	(8 368)
Actuarial gains	(3 301)	(12 030)
	85 458	87 457
Less: Current portion*	(7 944)	(7 885)
Balance at the end of the year	77 514	79 572

* Included in trade and other payables

	Group 2021 R'000	Group 2020 R'000
21. RETIREMENT BENEFIT INFORMATION continued		
21.2 Medical aid continued		
21.2.2 The amounts recognised in the statement of profit or loss are as follows:		
Current service cost	165	284
Interest on obligation	9 437	9 552
	9 602	9 836

	%	%
The principal actuarial assumptions used for the valuation were:		
Discount rate	9.40	10.79
Medical aid subsidy increase rate	7.72	8.38
Normal retirement age (years)	65	65

	2021 R'000	2020 R'000	2019 R'000	2018 R'000	2017 R'000
As at 31 March					
Present value of obligations	85 458	87 457	98 019	106 516	98 992
Experience adjustments on plan liabilities	(3 301)	(12 030)	(10 623)	5 110	(1 307)

There is no surplus or deficit in the plan as there are no plan assets.

Contributions of R7.8 million (2020: R8.3 million) are expected to be paid into the group's defined benefit scheme during the annual period after 31 March 2021.

	Group 2021 R'000	Group 2020 R'000
As at 31 March a 1% movement in the assumed medical cost trend rate would change the current service cost and interest cost, and the post-retirement medical aid liability to the following:		
Upward movement		
Current service cost and interest cost	10 457	10 705
Post-retirement medical aid liability	92 425	95 240
Downward movement		
Current service cost and interest cost	8 834	9 083
Post-retirement medical aid liability	79 304	80 696

21. RETIREMENT BENEFIT INFORMATION continued

21.2 Medical aid continued

21.2.3 During the current year the group lost control of a subsidiary that operated a closed fund defined benefit plan for a portion of its medical aid members. The assets of the funded plan were held independently of the group's assets and the fund was valued annually by independent actuaries using the projected unit credit method. No information is presented for the current year since the balances for both the plan assets and obligation remained unchanged from 31 March 2020 up to the date that the group lost control of the subsidiary.

	Present value of obligation R'000	Fair value of plan assets R'000	Total R'000
The movement in the defined benefit net asset for the year ended 31 March 2020 was as follows:			
At 1 April 2019	30 644	(31 974)	(1 330)
Other post-retirement benefits – medical aid	287	(365)	(78)
Current service cost	67	–	67
Expected return on plan assets	–	(2 978)	(2 978)
Expected benefit payments from plan assets	(2 613)	2 613	–
Interest expense	2 833	–	2 833
Remeasurements:	(2 378)	(259)	(2 637)
Gain from change in financial assumptions	(1 645)	–	(1 645)
Return on plan assets	–	(259)	(259)
Experience gains	(733)	–	(733)
At 31 March 2020	28 553	(32 598)	(4 045)

	Group 2020 %
The principal actuarial assumptions used for the valuation were:	
Discount rate	9.90
Healthcare cost inflation	7.30
Expected return on plan assets	9.90
Remuneration inflation	6.80

	R'000
At 31 March 2020 the effects of a 1% movement in the assumed medical cost trend rate would be as follows:	
Upward movement	
Effect on the current service cost and interest cost	230
Effect on the post-retirement medical aid liability	2 328
Downward movement	
Effect on the current service cost and interest cost	203
Effect on the post-retirement medical aid liability	2 050

The fund was actively managed and returns were based on both the expected performance of the asset class and the performance of the fund managers. The assets of the medical aid scheme comprised cash only.

The expected long-term rate of return on medical aid assets of 9.9% was determined by using a standard 0% margin on the assumed rate of discount as per the revised IAS 19 Employee Benefits. The discount rate of 9.9% per annum was based on current bond yields of appropriate term, gross of tax, as required by IAS 19. South Africa does not have a deep market in high-quality corporate bonds. The discount rate was therefore determined with reference to current market yields on government bonds.

	Group	
	2021 R'000	2020 R'000
22. LONG-TERM INCENTIVE PLAN		
Tsogo Sun Gaming Share Appreciation Bonus Plan – non-current	**24 570**	–

Cash-settled – Tsogo Sun Gaming Share Appreciation Bonus Plan

The Tsogo Sun Gaming Share Appreciation Bonus Plan is a bonus scheme whereby participants receive cash bonuses, the amounts of which are determined with reference to the growth in the company's share price. Allocations of notional shares are discretionary and administered in terms of the rules of the scheme. Allocations vest in full three years after date of allocation.

Liabilities equal to the current fair values are recognised at each reporting date and the fair values expensed over the period as services are rendered by the employees. In terms of the rules, the fair values of the payments are determined using the seven-day volume weighted average trading price of the company's share prior to the determination of the fair value of the long-term incentive bonus.

During the current year the group recognised an expense of R24.6 million (2020: R37.3 million credit to the statement of profit or loss) relating to this plan. The bonus plan liability was reversed in full in the prior year due to the decline in the company's share price.

The following is pertinent to this bonus plan:

	2021	2020
Average share price utilised to value the liability	**R6.50**	R5.00
Total number of appreciation units granted and outstanding ('000)	**20 748**	24 491
Of which, number of appreciation units vested and outstanding ('000)	**649**	3 614

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	Group 2021 R'000	Group 2020 R'000
23. PROVISIONS		
Rehabilitation provision		
Balance at the beginning of the year	90 330	88 322
Raised during the year	29 697	44 383
Utilised during the year	(31 583)	(42 375)
Disposal of subsidiaries	(25 693)	–
Balance at the end of the year	62 751	90 330
Staff bonuses		
Balance at the beginning of the year	45 901	62 133
Raised during the year	80 278	71 552
Utilised during the year	(65 336)	(63 771)
Business combinations	–	212
Unused amounts reversed	(21 927)	(183)
Transfer to trade and other payables	–	(24 042)
Balance at the end of the year	38 916	45 901
Repurchase of service		
Balance at the beginning of the year	37 643	37 643
Raised during the year	1 127	–
Balance at the end of the year	38 770	37 643
Restructuring		
Balance at the beginning of the year	–	–
Raised during the year	6 818	–
Balance at the end of the year	6 818	–
Third-party claims		
Balance at the beginning of the year	15 359	20 201
Raised during the year	9 359	6 774
Utilised during the year	(197)	(1 536)
Unused amounts reversed	(12 735)	(10 080)
Balance at the end of the year	11 786	15 359
Jackpot provisions		
Balance at the beginning of the year	1 723	2 184
Utilised during the year	(76)	(461)
Balance at the end of the year	1 647	1 723
Incentives		
Balance at the beginning of the year	190 701	188 967
Raised during the year	680	193 234
Utilised during the year	–	(191 500)
Disposal of subsidiaries	(69 375)	–
Unused amounts reversed	(71 373)	–
Balance at the end of the year	50 633	190 701

	Group	
	2021 R'000	2020 R'000
23. PROVISIONS continued		
Long-service awards		
Balance at the beginning of the year	138 110	193 283
Raised during the year	8 813	22 202
Utilised during the year	(2 307)	(15 275)
Disposal of subsidiaries	(72 128)	–
Unused amounts reversed	(53 730)	(62 100)
Balance at the end of the year	18 758	138 110
Other		
Balance at the beginning of the year	9 751	10 699
Raised during the year	1 948	5 847
Utilised during the year	(916)	(1 967)
Unused amounts reversed	(719)	(2 243)
Transfer to trade and other payables	–	(2 585)
Balance at the end of the year	10 064	9 751
Total provisions	240 143	529 518
Non-current	70 604	218 324
Current	169 539	311 194
	240 143	529 518

Rehabilitation provision

Rehabilitation provisions are based on the group's environmental plans, in compliance with current regulatory requirements. Provision is made based on the net present value of the rehabilitation of coal mining sites.

The net present value of the provision has been determined using a discount rate of 5% per annum (2020: 5%) and an inflation rate of 2.9% per annum (2020: 4.1%). The period used for discounting was the Palesa Mine's expected remaining life of 17 years (2020: 18 years) and estimated settlement dates of the rehabilitation costs.

Staff bonuses

Staff bonuses are based on rates negotiated with union bargaining councils, the results of the relevant company or at the discretion of company management. In all cases, payment of such bonus is dependent upon the employee being in the company's service at the date of payment.

23. PROVISIONS continued

Repurchase of service

Government indicated in 1997 its long-term objective to open public passenger transport services to competitive tendering. Past experience has shown where government has followed this course of action, the resulting tendered cost to government has been considerably higher than the cost under the existing regime, which has delayed the future roll-out of this model.

The repurchase of service provision is raised in respect of retrenchment costs that will be payable to employees who would be surplus to requirements should the operating of some routes be awarded to third parties.

The amount provided for is based on management's best estimate of the maximum costs payable in accordance with the employees' current conditions of employment. Assumptions have been made in respect of the timing of the service being put out to tender and the extent of the services that would be awarded to third parties.

A Bus Industry Restructuring Fund was set up in 1999 to compensate employers for these retrenchment costs. As it is currently impracticable to calculate a reliable estimate of the amount, reference has been made to the existence of a contingent asset in note 47 Contingencies.

Restructuring

At the end of the current financial year the group's branded products and manufacturing business was in the process of restructuring divisions in its industrial product manufacturing segment. These provisions relate to the remaining restructuring costs associated with the process that was ongoing at year-end.

Third-party claims

Third-party claims are legal claims resulting from traffic accidents. The timing and extent of claims settled remain uncertain until settlement occurs. Where the group expects to be reimbursed under an insurance contract, the reimbursement is recognised as a separate asset.

Incentives

This is a provision for bonus plans based on a formula that takes into consideration the profit attributable to the subsidiary company's shareholders after certain adjustments and the performance of the respective employees. These criteria are only finalised after the subsidiary's year-end.

Long-service awards

This provision relates to long-service benefits provided by the group's gaming operations. The benefit is paid when employees reach predetermined years of service. During the prior year the group amended its policy, allowing only certain qualifying employees to remain on the plan. This resulted in a credit of R53.7 million (2020: credit of R62.1 million) being recognised in profit or loss in respect of the non-qualifying staff portion of the provision.

The method of accounting and frequency of valuation are similar to those used for defined benefit schemes. The group did not consider the balance to be significant at year-end and no actuarial valuation was therefore performed. In the prior year a valuation was performed by an independent actuary using the projected unit credit method. The following principal actuarial assumptions were used:

	2020 %
Discount rate	8.7
Inflation rate	4.2
Salary increase rate	4.7
Pre-retirement mortality rate	SA 85 – 90 (Light) table

24. DEFERRED REVENUE AND INCOME

24.1 The Tsogo Sun Hotels group's contract liabilities consist of its customer reward programmes. The group accounts for these reward programmes in terms of IFRS 15 Revenue from Contracts with Customers with the liability allocated to deferred revenue in the statement of financial position.

	Group	
	2021 R'000	2020 R'000
Deferred revenue		
At 1 April	112 364	103 896
Created during the year	17 106	139 840
Forfeitures during the year	–	(36 271)
Utilised during the year	(17 500)	(95 101)
Disposal of subsidiary	(111 970)	–
At 31 March	–	112 364
The expected timing of the recognition of the deferred revenue is as follows:		
Non-current	–	37 080
Current	–	75 284
	–	112 364

24.2 The Tsogo Sun Gaming group's contract liabilities consist of its customer reward programmes. The group accounts for these reward programmes in terms of IFRS 9 Financial Instruments with the liability allocated to deferred income in the statement of financial position.

	2021 R'000	2020 R'000
Deferred income		
At 1 April	20 463	20 228
Created during the year	105 582	159 588
Forfeitures during the year	(16 490)	(12 352)
Utilised during the year	(94 494)	(147 001)
At 31 March	15 061	20 463

The expected timing of the recognition of the deferred income is within one year and is considered current.

24.3 Government grants receivable by the Deneb group relates to the Production Incentive Programme (PIP) established by the Department of Trade and Industry. The programme is an incentive offered to qualifying companies operating within the clothing and textile manufacturing industry.

	2021 R'000	2020 R'000
Deferred income		
At 1 April	98 869	99 829
Created during the year	37 004	18 929
Utilised during the year	(17 788)	(19 889)
At 31 March	118 085	98 869
The expected timing of the recognition of the deferred income is within 20 years as follows:		
Non-current	110 550	84 155
Current	7 535	14 714
	118 085	98 869

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FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

	Group 2021 R'000	Group 2020 R'000
24. DEFERRED REVENUE AND INCOME continued		
24.4 Deferred revenue by the Gallagher group relates to deposits received in advance for conferences and exhibitions contracted.		
Deferred revenue		
At 1 April	14 305	19 076
Created during the year	–	14 305
Utilised during the year	(4 600)	(19 076)
At 31 March	9 705	14 305
The expected timing of the recognition of the deferred income is within one year and is considered current.		
24.5 Deferred revenue by the Hosken Passengers Logistics and Rail group relates to transportation fees received in advance.		
Deferred revenue		
At 1 April	8 763	7 792
Created during the year	9 903	8 763
Utilised during the year	(8 763)	(7 792)
At 31 March	9 903	8 763
The expected timing of the recognition of the deferred income is within one year and is considered current.		
Total deferred revenue and income		
Non-current	110 550	121 235
Current	42 204	133 529
	152 754	254 764

25. OTHER NON-CURRENT LIABILITIES

	Group 2021 R'000	Group 2020 R'000
Capital creditors	7 236	15 759
Gross	17 924	26 728
Less: Current portion*	(10 688)	(10 969)
Share-based payment to non-controlling interests	1 732	2 291
Non-current portion	8 968	18 050

* Included in trade and other payables

Capital creditors is the deferred portion of the purchase price relating to agreements that the group concluded with TAB-Austria (TAB) during the 2019 financial year to acquire the intellectual property rights to the Golden Island Casino limited payout machines for Africa. This included the processes, formulae, methods and information controlled and owned by TAB, currently being manufactured by TAB.

The share-based payment liability relates to the fair value of portions of shareholding to be transferred, in terms of the gaming licence conditions of Leitlho SPV (Kuruman Casino) (20%), to B-BBEE shareholders by December 2034. A fair value share-based payment credit of R0.6 million (2020: R12 million credit) was recognised in other operating expenses and income during the year.

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
26. TRADE AND OTHER PAYABLES				
Trade payables	**1 089 681**	1 235 246	**–**	–
Accruals	**394 622**	621 534	**–**	–
Advance deposits	**28 242**	116 593	**–**	–
Lease liabilities (refer to note 29)	**66 167**	141 611	**–**	–
Insurance claims payable (refer to note 15)	**191 360**	8 704	**–**	–
Other payables*	**750 644**	809 527	**3 577**	3 877
	2 520 716	2 933 215	**3 577**	3 877

* Other payables mainly comprise VAT payable, payroll-related payables, gaming levies, tenant deposits, unallocated deposits, smartcard gaming credits due to customers and capital creditors

Fair value of trade and other payables
The carrying value approximates fair value because of the short period to settlement of these obligations.

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
27. BANK OVERDRAFTS				
Balance outstanding at 31 March	**420 611**	3 956 883	**214 915**	479 112

Overdrafts of R420.6 million (2020: R3 262.2 million) are secured by assets as part of the group's general borrowings. Refer to note 20.

Fair value of bank overdrafts
The carrying value of bank overdrafts approximates fair value due to the short-term maturity of these instruments.

	Group	
	2021 R'000	2020 R'000
28. GOVERNMENT GRANTS		
Receivable balance for government grants brought forward	**–**	29 720
Total income from government grants, recognised as deferred income during the year	**37 004**	18 929
Total cash received from government grants during the year	**(26 981)**	(48 649)
Amount outstanding as at year-end	**10 023**	–

Government grants in the group relates to the PIP established by the Department of Trade and Industry. The programme is an incentive offered to qualifying companies operating within the clothing and textile manufacturing industry.

Amounts outstanding at year-end are included in other receivables (refer to note 15).

There are no unfulfilled conditions or contingencies relating to the government assistance recognised.

29. LEASES

Nature of leasing activities (in the capacity as lessee)

The group leases various properties in the jurisdictions from which it operates, including the Golden Horse Casino land, various properties at the bingo business sites, land, offices, warehouses and retail stores. These lease agreements are typically concluded for fixed periods of one to 30 years, but may have extension options as described below. Most of the group's property lease contracts provide for fixed payments over the term of the lease while a small number of these contracts provide for annual inflationary increases in lease payments or variable payments as detailed below.

The group also leases certain items of machinery, vehicles and casino gaming equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Variable lease payments

Some of the gaming segment's property and gaming equipment leases contain variable payment terms that are linked to indices and gross gaming win, respectively. For property, the Golden Horse Casino land lease includes variable lease payments that are included in the lease liability. The lease payment terms, in addition to the annual consumer price index increase, are based on 4.5% of gross operating profit. A 5% increase in the variable lease payments at the statement of financial position date would increase the lease liability by less than R2 million (2020: less than R2 million).

Bingo gaming machine lease agreements contain variable payment terms that are linked to gross gaming income generated by the respective machines. These variable lease payments are not included in the measurement of lease liabilities, but are recognised in profit or loss in the period in which the event or condition that triggers those payments, occurs. A 10% increase in gross gaming win across all sites in the group with such variable lease contracts would increase total lease payments by approximately R6 million (2020: R12 million).

During the prior year and up to the date of deconsolidating the group's hotel interests in the current year, the group's lease agreements also included hotel properties with fixed lease periods of up to 99 years. Some of these lease agreements contained variable payment terms that were linked to the gross revenue or Ebitdar generated by the hotel property, with a minimum lease payment based on a percentage of the budgeted Ebitdar in the year that the lease commenced. All minimum future lease payments had been included in the measurement of lease liabilities whereas the variable payments, that were linked to gross revenue or Ebitdar, were recognised in profit or loss in the period in which the event or condition that triggered those payments, occurred. A 10% increase in Ebitdar across all hotel properties in the group with such variable lease payment contracts would have increased total lease payments by approximately R5 million in the prior year.

Variable lease payments that are not taken into account in the measurement of lease liabilities are included in other operating expenses and income in the statement of profit or loss.

The current proportion of fixed and variable lease payments included in the group's lease liability is presented in the table below. The sensitivity analysis indicates the impact on the carrying amount of lease liabilities and right-of-use assets if there was a 5% increase in variable lease payments at the statement of financial position date.

	Group			
	Number of lease contracts	Fixed lease payments R'000	Variable lease payments R'000	Sensitivity R'000
2021				
Property leases with payments linked to inflation and/or gross operating profits	3	–	3 450	1 706
Property leases with fixed payments	69	72 347	–	–
Leases of plant and machinery	5	1 097	–	–
Leases of other equipment and vehicles	57	5 904	–	–
	134	79 348	3 450	1 706
2020				
Property leases with payments linked to inflation and/or gross operating profits	2	–	4 276	1 712
Property leases with fixed payments	87	328 069	–	–
Leases of plant and machinery	14	1 082	–	–
Leases of other equipment and vehicles	58	17 164	–	–
	161	346 315	4 276	1 712

29. LEASES continued

Options to extend or terminate lease terms

Options to extend or terminate lease terms are included in certain property and equipment leases across the group. These are used to maximise operational profitability in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable by the group only and not by the respective lessor.

The following options are held by the group's gaming interests in respect of property and equipment leases:

- the Golden Horse Casino land and Hemingways Casino cinema have lease contracts with extension options effective 1 September 2030 and 21 August 2024, respectively. The group is reasonably certain to exercise these options and extend the lease terms;
- bingo property lease contracts are reasonably certain to be extended (or not terminated) by the group when a gaming licence term exceeds the initial property lease term. The group is reasonably certain not to extend a bingo property lease contract when a more suitable property for its operations has been identified. All extension options included in these property leases have been capitalised;
- certain casino gaming equipment leases have extension options that have not been capitalised. As at 31 March 2021, potential future cash outflows of R21 million (undiscounted) have not been included in the lease liability for gaming equipment because it is not reasonably certain that the leases will be extended (or not terminated); and
- the group has the option to terminate casino equipment lease contracts without penalties.

Extension options are included in a number of property lease contracts across the Deneb group, mainly relating to its factory buildings. The group's most significant lease contracts include extension options allowing the group to extend the term of the lease for periods ranging from two to seven years, with effective dates to exercise these options ranging from 1 June 2021 to 1 July 2027. The group is reasonably certain to exercise these options and extend the lease terms.

Options to purchase leased properties

The group's transport business holds an option to purchase a property at the end of the lease term for R22.5 million. The option expires on 31 May 2022 and is reasonably certain to be exercised by the group.

Rent concessions

The outbreak of the COVID-19 pandemic at the end of the prior financial year and subsequent restrictive measures implemented by government to control the spread of the virus, had a profound impact on the group's operations. Some of the group's subsidiaries received rent concessions from lessors due to their inability to operate for significant periods of time. The group's gaming interests received rent concessions totalling R67 million, all of which were in the form of forgiveness of rentals. The group's hotel interests received rent concessions totalling R37 million in relation to the Sandton Consortium hotels, GC Marine Parade and Cape Town City Bowl Complex.

As discussed in accounting policy 3.1, the group has elected to apply the practical expedient introduced by the amendments to IFRS 16. This had the effect of reducing lease liabilities as follows:

	Group
	2021 R'000
Land and building rentals	92 592
Gaming equipment rentals	11 987
	104 579

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

29. LEASES continued

Reconciliation of carrying value: right-of-use assets

	Group			
	Land and buildings R'000	Plant and machinery R'000	Other equipment and vehicles R'000	Total R'000
2021				
Carrying value as at 1 April 2020	1 136 763	1 839	33 445	1 172 047
Depreciation	(123 754)	(832)	(13 698)	(138 284)
Additions	338 854	316	3 390	342 560
Remeasurement of lease	2 926	–	64	2 990
Termination of lease	(1 981)	–	(1 471)	(3 452)
Disposal of subsidiary	(1 066 228)	–	–	(1 066 228)
Effect of modification to lease terms	45 578	–	–	45 578
Transfer to assets held for sale	(927)	–	–	(927)
Currency translation	(1 034)	–	–	(1 034)
Carrying value as at 31 March 2021	330 197	1 323	21 730	353 250
2020				
Carrying value as at 1 April 2019	1 055 997	2 183	52 504	1 110 684
Transfer to finance lease assets	(1 672)	–	–	(1 672)
Depreciation	(136 313)	(857)	(14 686)	(151 856)
Additions	276 950	513	2 909	280 372
Remeasurement of lease	(1 608)	–	(2 845)	(4 453)
Termination of lease	(4 136)	–	(4 437)	(8 573)
Disposal of subsidiary	(6 836)	–	–	(6 836)
Transfer to property, plant and equipment on acquisition of leased property	(138 593)	–	–	(138 593)
Effect of modification to lease terms	97 627	–	–	97 627
Impairments	(5 555)	–	–	(5 555)
Currency translation	902	–	–	902
Carrying value as at 31 March 2020	1 136 763	1 839	33 445	1 172 047

29. LEASES continued

	Group			
	Land and buildings R'000	Plant and machinery R'000	Other equipment and vehicles R'000	Total R'000
Reconciliation of carrying value: lease liabilities				
Carrying value as at 1 April 2020	1 521 434	2 108	42 550	1 566 092
Finance costs	148 434	199	3 138	151 771
Lease payments	(131 109)	(1 097)	(5 950)	(138 156)
Additions	338 854	316	3 390	342 560
Remeasurement of lease	156	–	63	219
Termination of lease	(11 236)	–	(2 132)	(13 368)
Disposal of subsidiary	(1 366 215)	–	–	(1 366 215)
Effect of modification to lease terms	47 728	–	–	47 728
Transfer to liabilities held for sale	(9 838)	–	–	(9 838)
Rent concessions	(92 592)	–	(11 987)	(104 579)
Carrying value as at 31 March 2021	445 616	1 526	29 072	476 214
Less: Current portion (included in trade and other payables)	(47 179)	(624)	(18 364)	(66 167)
Non-current portion	398 437	902	10 708	410 047
2020				
Carrying value as at 1 April 2019	1 531 778	2 416	60 461	1 594 655
Finance costs	161 017	261	4 891	166 169
Lease payments	(332 345)	(1 082)	(17 164)	(350 591)
Additions	276 950	513	2 909	280 372
Remeasurement of lease	576	–	(3 515)	(2 939)
Termination of lease	(149)	–	(5 032)	(5 181)
Disposal of subsidiary	(8 469)	–	–	(8 469)
Derecognition of lease liability on acquisition of leased property	(200 000)	–	–	(200 000)
Effect of modification to lease terms	92 076	–	–	92 076
Carrying value as at 31 March 2020	1 521 434	2 108	42 550	1 566 092
Less: Current portion (included in trade and other payables)	(125 455)	(876)	(15 280)	(141 611)
Non-current portion	1 395 979	1 232	27 270	1 424 481

In the prior year, the group entered into an agreement with Ozmik Property Investments Proprietary Limited to acquire the Southern Sun Pretoria hotel building for R200 million. The Southern Sun Pretoria hotel was operated by the group and the property leased, and as such fell within the scope of IFRS 16 on date of adoption. The lease liability that was raised on transition was subsequently settled and the building acquired recognised in property, plant and equipment in the prior year.

The table below analyses the group's lease liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than one year R'000	Between one and five years R'000	Over five years R'000	Total R'000
2021				
Lease liabilities	110 188	352 920	263 684	726 792
2020				
Lease liabilities	276 667	838 711	1 757 444	2 872 822

Residual value guarantees
None of the group's lease contracts contain residual value guarantees.

Committed leases not yet commenced
The group has not committed to any lease contracts which had not commenced by the reporting date.

Encumbrances
Lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

30. COMMITMENTS

Lease arrangements where the group is a lessee

As at 31 March 2021, the group had outstanding commitments totalling R30 million (2020: R33 million) under non-cancellable leases which are not capitalised in terms of IFRS 16, being short-term leases and leases of low-value assets (comprising mainly small items of office equipment and furniture).

Signal distribution

The group has a contracted commitment for its signal distribution as at 31 March 2021 amounting to R36 million within one year (2020: R34 million), R149 million after one to five years (2020: R185 million) and R93 million after five years (2020: R93 million) with the contract ending on 31 July 2028. The contracted commitments will be funded from the group's available bank facilities and retained profits.

	Group	
	2021 R'000	2020 R'000
Capital expenditure		
Authorised by directors but not yet contracted for:		
– Investment property	–	117 470
– Property, plant and equipment	188 529	323 707
– Intangible assets	–	36 632
– Programming rights	491 671	313 472
– Investments in associates	–	260 688
	680 200	1 051 969
Authorised by directors and contracted to be expended:		
– Investment property	–	34 530
– Property, plant and equipment	59 844	416 704
– Intangible assets	–	4 463
– Programming rights	–	73 809
	59 844	529 506

It is intended that this expenditure will be funded from bank finance and operating cash flows.

	Group		Company	
	2021	2020*	**2021**	2020
	R'000	R'000	**R'000**	R'000
31. REVENUE				
Sale of goods	**3 794 428**	4 093 323	**–**	–
Provision of services	**4 396 667**	6 450 498	**–**	–
Dividends received**				
– Subsidiaries	**–**	–	**2 639 563**	981 366
– Associates	**–**	–	**10 834**	7 826
	8 191 095	10 543 821	**2 650 397**	989 192

The group's revenue disaggregated by primary geographical markets is as follows:

	South Africa R'000	Other African countries and Middle East R'000	Europe and United Kingdom R'000	Total R'000
2021				
Media and broadcasting	**2 428 959**	**–**	**–**	**2 428 959**
Gaming	**381 096**	**–**	**–**	**381 096**
Transport	**1 640 563**	**–**	**–**	**1 640 563**
Properties	**131 996**	**–**	**–**	**131 996**
Coal mining	**1 136 594**	**–**	**–**	**1 136 594**
Branded products and manufacturing	**2 348 517**	**46 437**	**59 799**	**2 454 753**
Other	**17 134**	**–**	**–**	**17 134**
	8 084 859	**46 437**	**59 799**	**8 191 095**
2020*				
Media and broadcasting	2 491 304	–	–	2 491 304
Gaming	1 648 516	–	–	1 648 516
Transport	2 045 158	–	–	2 045 158
Properties	253 709	–	–	253 709
Coal mining	1 360 174	–	–	1 360 174
Branded products and manufacturing	2 623 182	49 281	60 376	2 732 839
Other	12 121	–	–	12 121
	10 434 164	49 281	60 376	10 543 821

* Restated, refer to note 52.1

** Company dividends were received from subsidiaries and associates incorporated in South Africa and recognised as revenue when the right to receive payment was established

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

31. REVENUE continued

The group's revenue disaggregated by pattern of revenue recognition is as follows:

	Revenue recognised over time R'000	Revenue recognised at a point in time R'000	Total R'000
2021			
Provision of services			
Media and broadcasting	2 226 201	–	2 226 201
Gaming	239 921	141 175	381 096
Transport	1 478 211	162 029	1 640 240
Properties	128 253	3 743	131 996
Other	17 134	–	17 134
Sale of goods			
Media and broadcasting	–	202 758	202 758
Transport	–	323	323
Coal mining	–	1 136 594	1 136 594
Branded products and manufacturing	54 780	2 399 973	2 454 753
	4 144 500	4 046 595	8 191 095
2020*			
Provision of services			
Media and broadcasting	2 458 018	33 286	2 491 304
Gaming	1 000 757	647 759	1 648 516
Transport	1 688 748	356 100	2 044 848
Properties	121 282	132 427	253 709
Other	12 121	–	12 121
Sale of goods			
Transport	–	310	310
Coal mining	–	1 360 174	1 360 174
Branded products and manufacturing	16 739	2 716 100	2 732 839
	5 297 665	5 246 156	10 543 821

* Restated, refer to note 52.1

In the current period R13.4 million (2020: R26.9 million) of the deferred revenue balance at the beginning of the period was recognised as revenue.

The following aggregated amounts of transaction prices relate to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at 31 March:

	Group			
	2021 R'000	2022 R'000	2023 R'000	Total R'000
2021				
Revenue expected to be recognised	–	19 608	–	19 608
2020				
Revenue expected to be recognised	98 352	37 080	–	135 432

The group does not have any significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers as the revenue is based on stand-alone selling prices and predetermined settlement dates. The group considers whether there are other promises in the contract that are separable performance obligations to which a portion of the transaction price needs to be allocated, such as customer loyalty programmes.

		Group		Company	
		2021 R'000	2020* R'000	2021 R'000	2020 R'000
32.	**INVESTMENT INCOME**				
	Dividends				
	Unlisted investments	4 450	115 798	–	–
		4 450	115 798	–	–
	Interest				
	Bank	64 529	102 788	31	231
	Other**	25 984	269 433	2 229	4 079
		90 513	372 221	2 260	4 310
		94 963	488 019	2 260	4 310
33.	**INVESTMENT SURPLUS**				
	Loss on disposal of investment properties	(350)	(49)	–	–
	Gain on disposal of associates and joint arrangements	41 372	28 524	–	–
	(Loss)/gain on disposal of subsidiaries (refer to note 48.3)	(87 166)	1 049	(935)	–
	Gain on settlement of litigation proceedings (refer to note 12)	219 130	–	–	–
		172 986	29 524	(935)	–
34.	**ASSET IMPAIRMENTS**				
	Impairment of property, plant and equipment	30 666	195 456		
	Impairment of right-of-use assets	–	5 555		
	Impairment of intangible assets	3 090	9 206 213		
		33 756	9 407 224		
35.	**IMPAIRMENT OF GOODWILL AND INVESTMENTS**				
	Impairment of goodwill	–	9 596	–	–
	Impairment of investments in subsidiaries	–	–	3 054 099	7 175 894
	Impairment of investments in associates	1 564 723	10 986	239 042	–
		1 564 723	20 582	3 293 141	7 175 894
36.	**FINANCE COSTS**				
	Interest	1 340 328	1 781 661	27 198	36 330
	Preference dividends	181 762	129 294	–	–
		1 522 090	1 910 955	27 198	36 330

* Restated, refer to note 52.1

** Other interest includes R19 million (2020: R258 million) of interest on a loan granted to Ithuba (refer to note 12)

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FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

	Group		Company	
	2021 R'000	2020* R'000	2021 R'000	2020 R'000
37. PROFIT/(LOSS) BEFORE TAXATION				
The following items have been included in arriving at profit/(loss) before taxation:				
Auditor's remuneration				
– Audit fees – current year	42 353	46 427	–	–
– Audit fees – prior year	975	–	–	–
– Other services	4 852	5 031	–	–
Consultancy fees	56 544	55 884	396	65
Foreign exchange (gains)/losses	(52 154)	24 362	–	–
Gaming levies	520 833	999 611	–	–
Government grant income	(17 900)	(21 904)	–	–
Cost of sales				
– Branded products and manufacturing	1 909 617	2 147 350	–	–
– Coal mining	823 661	982 290	–	–
– Media and broadcasting	218 478	–	–	–
Leases				
– Short-term lease expenses	30 694	45 042	–	–
– Low-value lease expenses	5 603	9 398	–	–
– Expenses relating to variable lease payments not included in the measurement of lease liabilities	76 897	154 693	–	–
– Rent concessions	(67 260)	–	–	–
Net insurance premiums from insurance business	(458)	–	–	–
Premium income from insurance underwriting business	(8 177)	–	–	–
Reinsurance premiums	7 719	–	–	–
Net insurance claims from insurance business	855	–	–	–
Insurance claims expense	1 258	–	–	–
Reinsurance claims recoveries	(403)	–	–	–
Pension fund contributions	69 046	185 172	–	–
Profit on disposal of property, plant and equipment	(34 914)	(20 844)	–	–
Research and development	5 417	4 873	–	–
Secretarial fees	65	409	–	–
Share-based payments	49 481	(28 767)	–	–
Staff costs	2 570 188	3 895 300	–	–
VAT on net gaming win	617 492	1 164 712	–	–

* Restated, refer to note 52.1

	Group		Company	
	2021 R'000	2020* R'000	2021 R'000	2020 R'000
38. TAXATION				
South African taxes				
Current normal tax	337 435	722 778	638	1 157
Prior year normal tax	(23 979)	7 024	(836)	–
Deferred normal tax	(40 074)	(2 483 158)	–	–
Deferred tax – (over)/under provision prior year	(16 255)	21 184	–	–
	257 127	(1 732 172)	(198)	1 157

* Restated, refer to note 52.1

38. TAXATION continued

Various subsidiaries have incurred operating losses which result in losses for tax purposes.

Losses for tax purposes available for set-off against future taxable income and for which deferred tax assets have not been raised are estimated at:

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
– Normal tax	**382 997**	585 403	**–**	–
– Capital gains tax	**219 827**	219 827	**219 827**	219 827
Tax relief at current rates:				
– Normal tax	**107 239**	163 913	**–**	–
– Capital gains tax	**49 241**	49 241	**49 241**	49 241

	2021 %	2020* %	**2021 %**	2020 %
Reconciliation of tax rate				
Normal tax rate	**28**	(28)	**(28)**	(28)
Exempt income/credits				
Dividend income	**–**	–	**(108)**	(5)
Share of profits of associates and joint arrangements	**(42)**	–	**–**	–
Impairment reversals	**(2)**	–	**(2)**	(4)
Foreign profits not taxable in South Africa	**(1)**	–	**–**	–
Other non-taxable income	**(1)**	(3)	**–**	–
Expenses/debits not deductible for tax purposes				
Impairment of non-current assets	**32**	–	**136**	37
Amortisation and depreciation	**1**	–	**–**	–
Impairment of goodwill	**–**	1	**–**	–
Ineffective portion of cash flow hedge on restructuring of debt	**–**	1	**–**	–
Share of net losses of associates and joint arrangements	**–**	1	**–**	–
Non-deductible preference dividends accrued	**4**	1	**–**	–
Expenses attributable to exempt income	**1**	–	**1**	–
Expenses not in the production of income	**5**	2	**1**	–
Capital gains tax rate differentials				
Fair value adjustments on investment property revaluations and shares	**(2)**	–	**–**	–
Other				
Deferred tax asset not recognised on assessed losses	**3**	–	**–**	–
Prior year credits (net)	**(3)**	–	**–**	–
Utilisation of tax losses	**–**	(1)	**–**	–
Raising of deferred tax assets	**(4)**	–	**–**	–
Effective tax rate	**19**	(26)	**–**	–

* Restated, refer to note 52.1

The income tax relating to each component of other comprehensive income is set out below:

	R'000	R'000
Cash flow hedges	**29 641**	21 193
Fair value adjustments on equity instruments designated at fair value through other comprehensive income	**(72 822)**	82 374
Revaluation of owner-occupied land and buildings on transfer to investment properties	**(7 648)**	(7 012)
Actuarial losses/(gains) on post-employment benefit assets and liabilities	**2 073**	(7 665)
	(48 756)	88 890

	Group 2021 R'000	Group 2020* R'000
39. DISCONTINUED OPERATIONS		
Loss from discontinued operations for the year	(2 096 725)	(2 303 276)

39.1 The Deneb group's discontinued operations consist of its Frame Knitting Manufacturers business and Brand ID division and also included Winelands Textiles and First Factory Shops in the prior year. The group disposed of its interests in all these businesses, other than Frame Knitting Manufacturers, for which the disposal process was ongoing at 31 March 2021.

Loss from discontinued operations relating to Deneb Investments Limited	2021 R'000	2020* R'000
Revenue	37 922	344 540
Other operating expenses and income	(34 399)	(417 604)
Investment income	–	5
Asset impairments	(8 858)	(43 932)
Finance costs	(157)	(9 134)
Gain on disposal of subsidiaries	–	3 392
Loss before taxation	(5 492)	(122 733)
Taxation	–	(1 652)
Loss after taxation	(5 492)	(124 385)
Cash flows from discontinued operations		
Cash flows from operating activities	1 906	40 895
Cash flows from investing activities	3 144	(5 890)
Cash flows from financing activities	(2 944)	(2 138)
	2 106	32 867

Refer to note 16.1 for details of assets and liabilities relating to the above discontinued operations that have been classified as held for sale.

39.2 During the current year a decision was made by the eMedia board of directors to discontinue the operations of Silverline Studios Proprietary Limited. The group disposed of its interest in Jacana Media during the prior year and resolved to discontinue the operations of Crystal Brook Distribution and Niveus 13.

Loss from discontinued operations relating to eMedia Holdings Limited	2021 R'000	2020* R'000
Revenue	3 862	25 914
Other operating expenses and income	(21 825)	(22 925)
Investment income	–	130
Depreciation and amortisation	(11 459)	(12 028)
Finance costs	(1 075)	(2 111)
Loss on disposal of subsidiaries	–	(4 187)
Loss before taxation	(30 497)	(15 207)
Taxation	–	(1 312)
Loss after taxation	(30 497)	(16 519)
Cash flows from discontinued operations		
Cash flows from operating activities	(6 193)	(2 713)
Cash flows from investing activities	(11 216)	–
	(17 409)	(2 713)

Refer to note 16.2 for details of assets and liabilities relating to the above discontinued operations that have been classified as held for sale.

* Restated, refer to note 52.1

	Group 2021 R'000	Group 2020* R'000
39. DISCONTINUED OPERATIONS continued		
39.3 During the current year the HCI Coal board of directors resolved to sell Mbali Coal Proprietary Limited to Kunolwazi Resources Proprietary Limited. The effective date of the disposal was 1 March 2021.		
Loss from discontinued operations relating to HCI Coal Proprietary Limited		
Revenue	247 643	271 762
Other operating expenses and income	(212 810)	(286 135)
Investment income	–	637
Depreciation and amortisation	(33 989)	(72 203)
Finance costs	(948)	(1 693)
Loss on disposal of subsidiaries	(27 037)	–
Loss before taxation	(27 141)	(87 632)
Taxation	(764)	24 861
Loss after taxation	(27 905)	(62 771)
Cash flows from discontinued operations		
Cash flows from operating activities	25 169	(47 697)
Cash flows from investing activities	(21 944)	(45 562)
Cash flows from financing activities	(3 239)	93 301
	(14)	42
39.4 During December 2020 the group lost control of the strategy and operations of its hotel interests (refer to note 9). This loss of control was deemed to be a disposal of the subsidiary in terms of IFRS 10, with the results of the hotels segment consequently included in discontinued operations for the current and prior year.		
Loss from discontinued operations relating to Tsogo Sun Hotels Limited		
Revenue	732 601	4 093 731
Property rental income	43 833	331 092
Other operating expenses and income	(973 185)	(3 244 186)
Investment income	12 923	36 419
Depreciation and amortisation	(264 715)	(337 883)
Investment surplus	355 382	–
Share of losses of associates and joint arrangements	(109 811)	(3 429)
Asset impairments	(2 080)	(855 369)
Impairment of goodwill and investments	(31 135)	(827 388)
Fair value adjustments on investment properties	–	(887 913)
Fair value adjustments on financial instruments	522	(1 615)
Finance costs	(284 229)	(396 858)
Loss on deemed disposal of subsidiary – loss of control	(1 710 728)	–
Foreign currency translation and hedging reserves reclassified to profit or loss on disposal	80 935	–
Loss before taxation	(2 149 687)	(2 093 399)
Taxation	116 856	(6 202)
Loss after taxation	(2 032 831)	(2 099 601)
Cash flows from discontinued operations		
Cash flows from operating activities	(323 084)	600 973
Cash flows from investing activities	429 012	(406 402)
Cash flows from financing activities	(317 417)	282 727
	(211 489)	477 298

* Restated, refer to note 52.1

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

	Group 2021 R'000	Group 2020 R'000
40. EARNINGS PER SHARE		
40.1 Earnings per share as presented on the statement of profit or loss is based on the weighted average number of 80 870 140 ordinary shares in issue (2020: 82 875 887).		
40.2 Diluted earnings per share is based on the weighted average number of 80 870 140 ordinary shares in issue (2020: 82 875 887). Share options outstanding in the employee share scheme did not have a dilutive effect in the current or prior year.		
40.3 Headline earnings/(losses) per share (cents)*	287.74	1 263.22
– Continuing operations	609.56	1 313.07
– Discontinued operations	(321.82)	(49.85)
Diluted headline earnings/(losses) per share (cents)*	287.74	1 263.22
– Continuing operations	609.56	1 313.07
– Discontinued operations	(321.82)	(49.85)

* Restated

	2021 Gross R'000	2021 Net R'000	2020 Gross R'000	2020 Net R'000
Reconciliation of headline earnings:				
Losses attributable to equity holders of the parent		(960 014)		(3 805 278)
Fair value adjustment on deemed disposal of associate	–	–	(9 163)	(5 691)
Impairment of goodwill	30 156	13 605	819 711	637 713
Gains on disposal of plant and equipment	(33 722)	(13 354)	(18 821)	(10 815)
Impairment of property, plant and equipment	41 604	24 108	1 053 239	425 908
Foreign currency translation and hedging reserves recycled	(80 935)	(80 935)	–	–
Losses/(gains) from disposal of subsidiaries	1 824 931	1 796 362	(254)	(1 599)
Gains on disposal of associates and joint arrangements	(396 754)	(201 704)	(28 524)	(12 400)
Impairment of associates and joint arrangements	1 565 702	1 424 031	28 259	14 523
Reversal of impairment of assets	(208 739)	(74 808)	–	–
Impairment of intangible assets	3 090	2 286	9 245 979	3 292 624
Losses on disposal of investment properties	350	240	49	89
Fair value adjustments on investment properties	35 840	13 819	993 218	352 749
Impairment of right-of-use assets	–	–	7 307	3 361
Insurance claims for capital assets	(8 656)	(5 122)	(6 828)	(3 815)
Remeasurements included in equity-accounted earnings of associates and joint arrangements	(1 847 538)	(1 705 817)	170 137	159 539
Headline earnings		232 697		1 046 908

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
41. NOTES TO THE CASH FLOW STATEMENT				
41.1 Cash generated by operations				
Loss for the year	(982 420)	(7 325 024)	(677 750)	(5 528 179)
Taxation	141 035	(1 747 867)	(198)	1 157
Depreciation and amortisation	1 528 658	1 675 268	–	–
Share-based payments	24 911	20 681	–	–
Profit on disposal of plant and equipment	(33 722)	(18 821)	–	–
Impairment of goodwill and investments	1 595 858	847 970	3 293 141	7 175 894
Other impairments	44 694	10 306 525	–	–
Fair value adjustment on associate on change of control	–	(9 163)	–	–
Equity-accounted (profits)/losses of associates and joint arrangements	(1 936 141)	176 689	–	–
Forex translation	(34 299)	48 518	–	–
Fair value adjustments on investment properties	35 840	993 218	–	–
Fair value adjustments on financial instruments	(129 967)	2 122	28 961	–
Investment income	(107 886)	(525 210)	(2 260)	(4 310)
Preference dividends and interest	1 808 499	2 320 751	27 198	36 330
Non-cash dividends received	–	–	(2 330 802)	(452 002)
Investment (surplus)/deficit	(528 368)	(29 524)	935	–
Movement in provisions	(94 933)	306 297	–	–
Operating equipment usage	28 707	63 399	–	–
Post-retirement medical aid benefits	12 676	13 832	–	–
Long-term incentive charges/(credits)	24 570	(37 265)	–	–
Loss on disposal of discontinued operations	1 656 830	795	–	–
Operating lease equalisation asset	(14 873)	(23 577)	–	–
Impairment reversals	(208 739)	–	(43 507)	(715 511)
Amortisation of intangible assets through operating expenses (refer to note 4)	13 884	19 023	–	–
Inventory write-down	3 595	7 701	–	–
Rent concessions	(104 579)	–	–	–
Other non-cash items	36 006	18 459	(48)	–
	2 779 836	7 104 797	295 670	513 379
41.2 Changes in working capital				
Inventory	66 550	(7 132)	–	–
Programming rights	(219 522)	(52 744)	–	–
Trade and other receivables	532 643	218 780	1 334	(3 440)
Trade and other payables	36 839	(864 780)	(299)	(267)
	416 510	(705 876)	1 035	(3 707)
41.3 Taxation paid				
Unpaid at the beginning of the year	(61 000)	(79 254)	(1 101)	(5 193)
(Charges)/credits to the statement of profit or loss	(347 543)	(856 770)	198	(1 157)
Business combinations/disposal of subsidiaries	92 895	(652)	–	–
Foreign exchange differences	(251)	7 303	–	–
Withholding tax on dividends received	(463)	(3 273)	–	–
Unpaid at the end of the year	(67 413)	61 000	76	1 101
	(383 775)	(871 646)	(827)	(5 249)

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
41. NOTES TO THE CASH FLOW STATEMENT continued				
41.4 Business combinations/disposals				
Net cash inflow from acquisitions (refer to note 48.2)	23 677	5 217		
Net cash (outflow)/inflow from disposals (refer to note 48.3)	(486 301)	8 128		
	(462 624)	13 345		
41.5 Cash and cash equivalents				
Bank balances and deposits	1 761 881	5 685 032	1 341	235
Bank overdraft and loans	(420 611)	(3 956 883)	(214 915)	(479 112)
Cash in disposal group assets held for sale	425	12 100	–	–
	1 341 695	1 740 249	(213 574)	(478 877)

Fair value of cash and cash equivalents
The carrying value of cash and cash equivalents approximates fair value due to the short-term maturity of these instruments.

Encumbrances
Details of the assets that serve as security for borrowings are presented in note 20.

42. HCI EMPLOYEE SHARE OPTION SCHEME

The group operates a share option scheme, The HCI Employee Share Scheme (the Scheme), in terms of which shares in the group are offered on a share option basis to participants, provided they remain in the group's employ until the options vest. Any gain realised on the exercise of these options is settled on a net equity basis, whereby the participant receives that number of shares that equates in value to the gain made on exercise date.

Options must be exercised within six months of the vesting date, whereafter the options lapse. Options vest over periods of three to five years. These vesting periods may be varied by the board of directors.

Share options granted to eligible participants that have not yet become unconditional:

	2021		2020	
	Number of share options	Weighted average exercise price R	Number of share options	Weighted average exercise price R
Balance at the beginning of the year	1 840 458	103.43	1 444 068	118.14
Options granted	1 699 833	49.30	889 356	87.71
Options that became unconditional	(4 614)	117.03	(441 030)	118.83
Options forfeited	–	–	(51 936)	112.54
Balance at the end of the year	3 535 677	77.39	1 840 458	103.43

The fair value of options granted is measured using the Black-Scholes model. Share options granted in the current year were fair valued using a volatility indicator of 85% (2020: 23%) and an annual interest rate of 3.5% (2020: 6.5%). The cost relating to options is recognised by allocating the fair value over the vesting period on a straight-line basis.

The volume weighted average share price during the current year was R35.56 (2020: R89.31).

	Number of share options	Exercise price R
The options issued in terms of the Scheme and outstanding at 31 March 2021 become unconditional between the following dates:		
28 August 2021 and 28 February 2022	919 270	117.78
26 September 2021 and 26 March 2022	4 614	117.03
28 August 2022 and 28 February 2023	16 900	117.78
29 August 2022 and 28 February 2023	845 621	87.71
28 August 2023 and 28 February 2024	16 898	117.78
29 August 2023 and 29 February 2024	16 271	87.71
29 August 2024 and 28 February 2025	16 270	87.71
18 December 2024 and 18 June 2025	849 923	49.30
18 December 2025 and 18 June 2026	849 910	49.30
	3 535 677	

A maximum number of 2 354 512 (2020: 1 103 330) shares may be issued in respect of 3 535 677 (2020: 1 840 458) options issued in terms of the Scheme.

The maximum number of shares that may be utilised for the purposes of the Scheme is 10 500 000 shares. In addition to the options in issue at the reporting date and shares already delivered to participants, a further 6 350 276 (2020: 8 782 623) shares may be utilised by the Scheme. 1 699 833 (2020: 878 162) options were issued in terms of the Scheme during the year and nil shares were delivered to participants (2020: nil).

	2021 Number of share options	2021 Weighted average exercise price R	2020 Number of share options	2020 Weighted average exercise price R
42. HCI EMPLOYEE SHARE OPTION SCHEME continued				
Options granted to executive directors:				
JA Copelyn				
Balance at the beginning of the year	440 675	104.78	374 180	117.53
Options granted	379 364	49.30	190 451	87.71
Options expired	–	–	(123 956)	117.03
Balance at the end of the year	820 039	79.12	440 675	104.78
Unconditional between the following dates:				
28 August 2021 and 28 February 2022	250 224	117.78	250 224	117.78
29 August 2022 and 28 February 2023	190 451	87.71	190 451	87.71
18 December 2024 and 18 June 2025	189 682	49.30	–	–
18 December 2025 and 18 June 2026	189 682	49.30	–	–
JR Nicolella				
Balance at the beginning of the year	233 502	102.78	161 049	117.58
Options granted	197 176	49.30	116 459	87.71
Options expired	–	–	(44 006)	117.03
Balance at the end of the year	430 678	78.30	233 502	102.78
Unconditional between the following dates:				
28 August 2021 and 28 February 2022	117 043	117.78	117 043	117.78
29 August 2022 and 28 February 2023	116 459	87.71	116 459	87.71
18 December 2024 and 18 June 2025	98 588	49.30	–	–
18 December 2025 and 18 June 2026	98 588	49.30	–	–
TG Govender				
Balance at the beginning of the year	199 658	100.33	162 484	117.42
Options granted	164 574	49.30	115 866	87.71
Options expired	–	–	(78 692)	117.03
Balance at the end of the year	364 232	77.27	199 658	100.33
Unconditional between the following dates:				
28 August 2021 and 28 February 2022	83 792	117.78	83 792	117.78
29 August 2022 and 28 February 2023	115 866	87.71	115 866	87.71
18 December 2024 and 18 June 2025	82 287	49.30	–	–
18 December 2025 and 18 June 2026	82 287	49.30	–	–
Y Shaik				
Balance at the beginning of the year	188 854	105.28	158 382	119.55
Options granted	163 340	49.30	78 536	87.71
Options expired	–	–	(48 064)	123.63
Balance at the end of the year	352 194	79.32	188 854	105.28
Unconditional between the following dates:				
28 August 2021 and 28 February 2022	110 318	117.78	110 318	117.78
29 August 2022 and 28 February 2023	78 536	87.71	78 536	87.71
18 December 2024 and 18 June 2025	81 670	49.30	–	–
18 December 2025 and 18 June 2026	81 670	49.30	–	–

43. DIRECTORS' SHAREHOLDINGS

	Direct beneficial		Indirect beneficial		Associates	
	Number	Percentage holding %	Number	Percentage holding %	Number	Percentage holding %
2021						
Executive directors						
JA Copelyn	–	–	6 490 077	7.6	–	–
JR Nicolella	152 097	0.2	–	–	13 235	–
TG Govender	–	–	17 250	–	915 534	1.1
Y Shaik	75 475	0.1	–	–	–	–
Non-executive directors						
L McDonald	1 100	–	–	–	–	–
	228 672	0.3	6 507 327	7.6	928 769	1.1
2020						
Executive directors						
JA Copelyn	–	–	6 468 177	7.5	–	–
JR Nicolella	52 097	0.1	–	–	13 235	–
TG Govender	–	–	17 250	–	915 534	1.1
Y Shaik	8 808	–	–	–	–	–
Non-executive directors						
L McDonald	1 100	–	–	–	–	–
	62 005	0.1	6 485 427	7.5	928 769	1.1

Other than as noted there were no changes in directors' shareholdings between 31 March 2021 and the date of issue of this report.

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44. DIRECTORS' EMOLUMENTS

	Note	Board fees R'000	Salary R'000	Other benefits R'000	IFRS 2 expense R'000	Total R'000
2021						
Executive directors						
JA Copelyn		–	7 696	–	6 081	13 777
JR Nicolella		–	4 800	–	3 156	7 956
TG Govender		–	2 003	–	2 629	4 632
Y Shaik		–	3 976	–	2 619	6 595
Non-executive directors						
MH Ahmed*	(1)	715	–	–	–	715
MSI Gani**	(2)	611	–	–	–	611
MF Magugu	(3)	409	–	–	–	409
L McDonald	(4)	324	1 138	63	–	1 525
SNN Mkhwanazi-Sigege		324	–	–	–	324
VE Mphande	(5)	1 165	–	–	–	1 165
JG Ngcobo	(6)	741	–	–	–	741
R Watson	(7)	1 209	–	–	–	1 209
		5 498	19 613	63	14 485	39 659

* Appointed 7 September 2020
** Resigned 7 September 2020

1. Includes R92 100 audit and risk committee fees and R439 000 board fees paid by subsidiary companies
2. Includes R71 149 audit and risk committee fees and R398 000 board fees paid by subsidiary companies
3. Includes R84 900 remuneration committee fees
4. Salary and other benefits paid by subsidiary companies
5. Includes R841 000 board fees paid by subsidiary companies
6. Includes R60 900 audit and risk committee fees, R60 900 remuneration committee fees, R40 000 social and ethics committee fees and R256 000 board fees paid by subsidiary companies
7. Includes R60 900 audit and risk committee fees, R60 900 remuneration committee fees, R40 000 social and ethics committee fees and R724 000 board fees paid by subsidiary companies

	Note	Board fees R'000	Salary R'000	Other benefits R'000	IFRS 2 expense R'000	Total R'000
2020						
Executive directors						
JA Copelyn		–	7 696	–	5 397	13 093
JR Nicolella*		–	4 000	–	2 152	6 152
TG Govender		–	1 965	–	2 373	4 338
Y Shaik		–	3 976	–	2 017	5 993
Non-executive directors						
MSI Gani	(1)	1 113	–	–	–	1 113
MF Magugu	(2)	397	–	–	–	397
L McDonald****	(3)	–	201	38	45	284
SNN Mkhwanazi-Sigege***		187	–	–	–	187
ML Molefi**	(4)	142	–	–	–	142
VE Mphande	(5)	1 207	–	–	–	1 207
JG Ngcobo	(6)	1 302	–	–	–	1 302
CC September**		51	–	–	–	51
R Watson	(7)	1 318	–	–	–	1 318
		5 717	17 838	38	11 984	35 577

* Appointed 22 May 2019
** Resigned 22 May 2019
*** Appointed 2 September 2019
**** Appointed 19 March 2020

1. Includes R143 795 audit and risk committee fees and R655 000 board fees paid by subsidiary companies
2. Includes R82 508 remuneration committee fees
3. Paid by subsidiary companies
4. Includes R19 084 audit and risk committee fees, R19 084 social and ethics committee fees and R27 000 board fees paid by subsidiary companies
5. Includes R893 000 board fees paid by subsidiary companies
6. Includes R106 345 audit and risk committee fees, R25 445 remuneration committee fees, R25 445 social and ethics committee fees and R830 000 board fees paid by subsidiary companies
7. Includes R80 900 audit and risk committee fees, R40 058 remuneration committee fees and R883 000 board fees paid by subsidiary companies

45. SEGMENT INFORMATION

The following are the summarised results for the various reportable operating segments:

	Revenue		Net gaming win	
	2021 R'000	2020* R'000	2021 R'000	2020* R'000
Continuing operations				
Media and broadcasting	2 428 959	2 491 304	–	–
Gaming	381 096	1 648 516	5 275 457	9 922 293
Transport	1 640 563	2 045 158	–	–
Properties	131 996	253 709	–	–
Coal mining	1 136 594	1 360 174	–	–
Branded products and manufacturing	2 454 753	2 732 839	–	–
Other	17 134	12 121	–	–
	8 191 095	10 543 821	5 275 457	9 922 293
Discontinued operations				
Media and broadcasting	3 862	25 914	–	–
Branded products and manufacturing	37 922	344 540	–	–
Coal mining	247 643	271 762	–	–
Hotels	732 601	4 093 731	–	–
	1 022 028	4 735 947	–	–

	Property rental income		Segment result (profit/(loss) before tax)	
	2021 R'000	2020* R'000	2021 R'000	2020* R'000
Continuing operations				
Media and broadcasting	15 064	14 288	225 421	351 023
Gaming	92 235	148 083	53 429	(7 518 369)
Hotels	–	–	293 277	–
Transport	–	–	287 126	384 643
Properties	352 017	378 864	(25 488)	180 161
Coal mining	–	–	168 797	229 649
Branded products and manufacturing	148 801	138 760	146 640	(8 582)
Oil and gas prospecting	–	–	257 682	(159 080)
Palladium prospecting	–	–	(56 521)	(39 937)
Other	11 932	12 857	21 069	(173 428)
	620 049	692 852	1 371 432	(6 753 920)
Discontinued operations				
Hotels	43 833	331 092		

	Segment result (loss after tax)	
	2021 R'000	2020* R'000
Discontinued operations		
Media and broadcasting	(30 497)	(16 519)
Branded products and manufacturing	(5 492)	(124 385)
Coal mining	(27 905)	(62 771)
Hotels	(2 032 831)	(2 099 601)
	(2 096 725)	(2 303 276)

* Restated, refer to details as set out in note 52.1

45. SEGMENT INFORMATION continued

	Assets		Liabilities	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Media and broadcasting	3 203 746	3 109 449	1 208 854	1 190 706
Gaming	28 504 718	31 864 890	17 007 480	19 972 370
Hotels	1 285 320	16 160 141	–	6 937 022
Transport	2 163 045	2 224 279	978 935	1 097 995
Coal mining	644 203	760 840	295 759	328 769
Properties	4 102 389	4 357 282	2 542 676	2 658 244
Branded products and manufacturing	3 082 436	3 187 472	1 570 098	1 738 192
Oil and gas prospecting	1 602 641	1 574 415	–	–
Palladium prospecting	308 743	380 057	–	–
Other	1 055 919	1 273 451	2 825 062	4 317 525
	45 953 160	64 892 276	26 428 864	38 240 823

	Property, plant and equipment additions		Depreciation and amortisation	
	2021 R'000	2020 R'000	2021 R'000	2020* R'000
Media and broadcasting	235 703	177 720	93 962	105 418
Gaming	134 428	1 049 652	915 412	934 818
Hotels	38 986	264 708	–	–
Transport	35 128	198 859	92 189	93 411
Properties	731	12 110	8 379	9 704
Coal mining	40 932	53 098	41 563	40 415
Branded products and manufacturing	64 344	88 720	64 160	66 313
Other	1 101	1 088	2 830	3 075
	551 353	1 845 955	1 218 495	1 253 154

Amounts applicable to associates and joint arrangements included above:

	Equity-accounted earnings/(losses)		Investment in associates and joint arrangements	
	2021 R'000	2020* R'000	2021 R'000	2020 R'000
Media and broadcasting	2 799	24 676	147 784	143 550
Gaming	(8 090)	9 718	32 867	40 957
Hotels	1 858 000	–	1 285 320	570 599
Transport	(479)	436	379	3 358
Properties	7 305	19 160	2 006	10 962
Oil and gas prospecting	257 682	(159 080)	1 602 641	1 574 415
Palladium prospecting	(56 521)	(39 937)	308 743	380 057
Other	(14 744)	(28 233)	194 238	253 874
	2 045 952	(173 260)	3 573 978	2 977 772

* Restated, refer to details as set out in note 52.1

45. SEGMENT INFORMATION continued

	Net impairments[1] 2021 R'000	2020 R'000
Media and broadcasting	1 202	3 939
Gaming	(193 377)	9 362 785
Hotels	1 597 938	1 682 757
Transport	10 262	13 151
Branded products and manufacturing	15 788	80 877
Other	–	10 986
	1 431 813	11 154 495

	Group 2021 R'000	2020* R'000
Group income is attributable to the following geographical areas:		
South Africa	13 972 472	21 018 983
Other African countries and Middle East	100 637	130 419
Europe and United Kingdom	13 492	9 564
	14 086 601	21 158 966
Non-current assets[2] of the group are held in the following geographical areas:		
South Africa	37 144 701	47 570 401
Other African countries and Middle East	27	2 606 588
Europe and United Kingdom	1 607 066	2 023 651
Canada	308 743	380 057
	39 060 537	52 580 697

* Restated, refer to details as set out in note 52.1
[1] Includes impairments and impairment reversals in discontinued operations
[2] Excludes financial instruments, deferred tax assets and post-employment benefit assets

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
46. RELATED PARTY TRANSACTIONS				
46.1 The group entered into transactions in the ordinary course of business with various subsidiaries and associated companies:				
Dividends received are as follows:	–	–	2 650 397	989 192
– Subsidiaries	–	–	2 639 563	981 366
– Associates	–	–	10 834	7 826
Insurance premium income received from Tsogo Sun Hotels (THL)	7 520	–	–	–
Insurance claims paid to and provided for THL	993	–	–	–
Details of loans to and from these entities are set out in notes 6, 9 and annexure A.				
46.2 Key management compensation was paid as follows:				
Salaries and other short-term employee benefits	138 053	175 119	–	–
Post-employment benefits	3 014	5 836	–	–
Other long-term benefits	561	4 047	–	–
Termination benefits	–	8 292	–	–
Share-based payments	11 016	9 846	–	–
	152 644	203 140	–	–
Details of directors' remuneration are disclosed in note 44 of the financial statements.				
46.3 Related party balances included in borrowings, trade and other receivables, and trade and other payables are as follows:				
Loans (including accrued interest) from Southern African Clothing and Textile Workers Union (SACTWU)	46 027	1 063 329	46 027	–
Unearned premium income received from THL	9 953	–	–	–
Insurance claims payable to THL	190 791	–	–	–

The terms of the loans from SACTWU are set out in note 20.

During the current year the group concluded an agreement with SACTWU to acquire its shares in HCI Invest 6 Holdco Proprietary Limited (HCI Invest 6) together with loan claims totalling R1 053 million it had against the company. The consideration payable to SACTWU was the aggregate of R154 million in cash and 20 million eMedia Holdings Limited N ordinary shares (EMN shares) with a market value of R78 million at the date of transfer. The cash consideration was partially settled by off-setting the claims two of the group's subsidiaries had against SACTWU. By the time of settlement, Deneb Investments Limited and HCI Solly Sachs House Proprietary Limited had amounts of R81 million and R23 million, respectively, owing by SACTWU. At 31 March 2021, R46 million of the total cash consideration is still owing by the group and included in current borrowings (refer to note 20). The group settled the non-cash consideration payable in terms of the agreement by issuing 20 million EMN shares to SACTWU on 21 December 2020. Prior to this transaction the group held 70% of the issued shares of HCI Invest 6, with SACTWU holding the remaining 30%. HCI Invest 6 in turn held 323 330 485 EMN shares. As a result of this transaction HCI Invest 6 became a wholly-owned subsidiary of the group with the group holding all claims against the company.

47. CONTINGENCIES

Group

The group has established bank guarantees totalling R41.4 million in favour of the Department of Mineral Resources against the future rehabilitation of its operations at Palesa Colliery. A Rehabilitation Trust Fund has been registered for this purpose into which an amount of R14.5 million was deposited in the financial year ended 31 March 2012.

The group sold its interest in Mbali Coal Proprietary Limited (Mbali) to Kunolwazi Resources Proprietary Limited during the current year. The sale agreement excluded certain liabilities of Mbali, with specific reference to its SARS and Diesel Power litigation proceedings as detailed below:

- During the year ended 31 March 2018 Mbali received a letter of demand from SARS with regards to an investigation conducted by them on diesel refunds claimed under the South African Customs and Excise Act, 91 of 1964. As per the notification, the SARS Commissioner has disallowed diesel refunds in the amount of R21 million (excluding interest) for the period February 2015 to May 2017. Interest calculated on this amount totalled R9.6 million at 31 March 2021. The group has disputed the disallowance of diesel refunds and believes it has a defendable case. However, an amount has been included in trade and other payables in consideration of SARS' view of non-primary activities. During the past two years SARS has not refunded any VAT claims submitted by Mbali in an attempt to off-set any refunds against the disallowed diesel refunds. All VAT claims not refunded have been included in trade and other receivables.
- During the prior year Diesel Power (DP) brought an application to court for the liquidation of Mbali on the basis that it was deemed unable to pay DP's claim for R16.5 million relating to mining work done before the termination of its contract. Mbali has opposed the matter with reference to a counterclaim of R40 million relating to DP's backlog on rehabilitation, ROM coal shortage, mining rates differences (between DP and the new contractor) and inefficient blasting practices. DP was placed in voluntary liquidation on 18 October 2019. At the beginning of the 2020 financial year Mbali deposited R16.5 million in its attorney's trust account while the matter had been referred to arbitration, which is set to be heard in August 2021. An amount of R16.5 million relating to this claim has been included in the group's trade and other payables.

The group has entered into various agreements with its bankers and the respective gambling boards whereby the bank has guaranteed agreed capital amounts not exceeding R107 million (2020: R187 million) for gambling board taxes and working capital. The group has also entered into various agreements with its bankers and respective utility boards, suppliers and municipalities whereby the bank has guaranteed agreed capital amounts not exceeding R26 million (2020: R23 million) for utility expenses. Landlord rental guarantees amounting to R6 million (2020: R4 million) have also been provided through bank guarantees.

In terms of the 90-year Notarial Deed of Lease entered into with the Khara Hais Municipality, a subsidiary, Kalahari Village Mall Proprietary Limited, will have an obligation to pay rent to the lessor, monthly in arrears, from the date of commencement of trade of the Kalahari Village Mall shopping centre. The monthly rent payable will be calculated as per the following formula:

- for the first 15 years after commencement of trade: 5% of income after deduction of operating expenses; and
- for the remaining 75 years of the lease period: 8% of income after deduction of operating expenses.

A repurchase of service provision was raised, as set out in note 23, in respect of retrenchment costs that will be payable to employees should the government open public passenger transport services to competitive tendering in future. A Bus Industry Restructuring Fund was set up in 1999 to compensate employers for said retrenchment costs, however, a reliable estimate of the amount receivable cannot be made at the reporting date.

Company

- Guarantees in favour of The Standard Bank of South Africa Limited and Rand Merchant Bank Limited in respect of the obligations of a subsidiary, HCI Coal Proprietary Limited. The amount of the guarantees is limited to R79 million (2020: R79 million).
- A guarantee in favour of Sasol Oil Proprietary Limited in respect of obligations of a subsidiary, Palesa Coal Proprietary Limited. The amount of the guarantee is limited to R12 million (2020: R12 million).
- A guarantee in favour of The Standard Bank of South Africa Limited in respect of the obligations of a subsidiary, HCI Sun Energy Three Proprietary Limited, to Karoshoek Solar One (RF) Proprietary Limited. The amount of the guarantee is limited to R10.6 million (2020: R10.6 million).
- A guarantee in favour of ABSA Bank Limited in respect of a short-term facility of R113 million (2020: R250 million) granted to a subsidiary, HCI Treasury Proprietary Limited.
- An indemnity in favour of The Standard Bank of South Africa Limited in respect of a short-term facility of R40 million (2020: R150 million) granted.
- Guarantees and suretyships to Investec Bank Limited, ABSA Bank Limited, First Rand Bank Limited and The Standard Bank of South Africa Limited for the preference share debt granted to TIH Prefco (RF) Proprietary Limited and certain short-term facilities. At 31 March 2021 an amount of R900 million (2020: R900 million) and R45 million (2020: R100 million) remained owing to First Rand Bank Limited in respect of preference share debt and short-term facilities, respectively, with a further R700 million (2020: R700 million) owing to ABSA Bank Limited in respect of preference share debt. At 31 March 2021, R200 million (2020: R200 million) and R355 million (2020: R355 million) in respect of preference share debt remained owing to Investec Bank Limited and The Standard Bank of South Africa Limited, respectively.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

47. CONTINGENCIES continued

Company continued

- The company has issued guarantees and suretyships to Investec Bank Limited for a term loan granted to HCI Treasury Proprietary Limited. At 31 March 2021 the total amount owing in respect of this term loan amounted to R200 million (2020: R200 million).
- Guarantees and suretyships have been issued by the company to Investec Bank Limited for a term loan granted to Formex Industries Proprietary Limited in the amount of R46 million (2020: R95 million).
- In the prior year, a guarantee in favour of Investec Bank Limited in respect of the obligations of a joint arrangement, Regal Holdings Proprietary Limited. The amount of the guarantee was limited to R116 million and related to facilities for the redevelopment of investment property.

The company has issued guarantees in favour of a number of financial institutions in respect of the obligations of subsidiaries for the purchase and/or development of investment properties. Guarantees issued are limited to the following amounts:

		Company	
Financial institution	Subsidiary	2021 R'000	2020 R'000
Investec Bank Limited	Permasolve Investments Proprietary Limited	69 300	69 300
	Kalahari Village Mall Proprietary Limited	46 600	46 600
	Lynnridge Shopping Centre Proprietary Limited	100 000	100 000
	HCI – Sydney Road Proprietary Limited	31 000	31 000
	Olympus Village Proprietary Limited	31 000	31 000
	HCI – The Palms Proprietary Limited	36 000	36 000
	HCI – Whale Coast Village Proprietary Limited	141 400	141 400
	HCI – Shell House Proprietary Limited	85 000	85 000
	K2013204008 Proprietary Limited	–	133 800
	GE Property and Marketing Proprietary Limited	20 000	20 000
	HCI Solly Sachs House Proprietary Limited	165 000	165 000
	HCI Auckland Park Proprietary Limited	6 300	5 785
The Standard Bank of South Africa Limited	HCI – Rand Daily Mail Proprietary Limited	24 600	24 600
	HCI Monte Precinct Proprietary Limited	74 800	74 900
First Rand Bank Limited	Highland Night Investments 93 Proprietary Limited	50 000	50 000
Nedbank Limited	HCI Westlake Properties Proprietary Limited	44 700	75 700
	HCI Cecilia Precinct Proprietary Limited	19 000	19 000
	La Concorde Builders Precinct Proprietary Limited	2 700	2 700
		947 400	1 111 785

No expected credit loss allowances have been recognised for guarantees as all parties are performing and have sufficient assets to cover its liabilities at year-end.

48. BUSINESS COMBINATIONS AND DISPOSALS

48.1 Subsidiaries and businesses acquired

	Principal activity	Date of acquisition	Proportion of shares acquired %
Hotels			
Vexicure Proprietary Limited (Vexicure) At 31 March 2020 Hospitality Property Fund (HPF) held 5% of the issued share capital of Vexicure. In terms of a share sale and cession of claims agreement effective 1 October 2020, HPF Properties Proprietary Limited acquired a further 80% of Vexicure's issued share capital from Pan-African Capital Holdings.	Vexicure operates the Westin hotel property situated in Cape Town	1 October 2020	80%
Ash Brook Investments 72 Proprietary Limited (Ash Brook) At 31 March 2020 HPF held 15% of the issued share capital of Ash Brook. On 1 November 2020 HPF increased its holding in the company to 100% to obtain control over its strategy and operations.	Ash Brook operates the Radisson Blu Gautrain hotel property situated in Sandton	1 November 2020	85%

48.2 Cost of acquisition, net cash flow on acquisition and analysis of assets and liabilities acquired

	Hotels R'000
Non-current assets	
Deferred tax asset	3 739
Current assets	
Trade and other receivables	13 395
Inventory	20 617
Current income tax assets	328
Cash and cash equivalents	23 677
Current liabilities	
Trade and other payables	(48 939)
Other current liabilities	(42 973)
	(30 156)
Goodwill on acquisition (refer to note 3)	30 156
Cost of acquisition	–
Cash balances acquired	(23 677)
Net cash inflow on acquisition (refer to note 41.4)	(23 677)

48. BUSINESS COMBINATIONS AND DISPOSALS continued

48.3 Proceeds on disposal, net cash flow on disposal and analysis of assets and liabilities disposed

	Hotels R'000	Coal mining R'000	Properties R'000	Total R'000
Non-current assets				
Property, plant and equipment	(10 076 789)	(50 090)	–	(10 126 879)
Right-of-use assets	(1 066 228)	–	–	(1 066 228)
Investment properties	(1 765 795)	–	–	(1 765 795)
Goodwill	(79 788)	–	–	(79 788)
Intangible assets	(386 282)	–	–	(386 282)
Intangible assets mining	–	(20 665)	–	(20 665)
Investments in associates	(338 117)	–	–	(338 117)
Deferred tax asset	(84 741)	(4 342)	–	(89 083)
Other non-current assets	(7 787)	–	–	(7 787)
Current assets				
Trade and other receivables	(418 208)	(18 310)	(195)	(436 713)
Inventory	(69 394)	(14 021)	(296 367)	(379 782)
Cash and cash equivalents	(960 623)	(103)	–	(960 726)
Non-current liabilities				
Deferred tax liability	279 100	–	–	279 100
Interest-bearing borrowings	3 471 446	–	15 306	3 486 752
Lease liabilities	1 366 215	–	–	1 366 215
Provisions	72 128	25 693	–	97 821
Other non-current liabilities	151 605	–	–	151 605
Current liabilities				
Interest-bearing borrowings	–	–	197 548	197 548
Trade and other payables	712 846	17 829	33	730 708
Current income tax liabilities	92 567	–	–	92 567
Provisions	69 375	–	–	69 375
Bank overdrafts	463 944	–	481	464 425
Other current liabilities	75 020	–	–	75 020
	(8 499 506)	(64 009)	(83 194)	(8 646 709)
Non-controlling interests	5 937 973	–	(3 972)	5 934 001
Fair value of remaining interest on loss of control	945 460	–	–	945 460
Fair value of remaining interest on loss of control allocated to non-controlling interests – HCI Foundation	(94 655)	–	–	(94 655)
Deferred disposal proceeds*	–	26 972	–	26 972
Loss on disposal of subsidiary	1 710 728	27 037	87 166	1 824 931
Cash and cash equivalents disposed of	496 679	103	(481)	496 301
Net cash outflow/(inflow) on disposal (refer to note 41.4)	496 679	(9 897)	(481)	486 301

* The group disposed of its interest in Mbali Colliery with effect from 1 March 2021 for a total consideration of R37 million. In terms of the agreement, a deposit of R10 million was paid before 31 March 2021 with the balance of R27 million payable on 16 April 2021 (interest accrued at the prime rate plus 5%). The deferred proceeds of R27 million was included in other receivables under current assets at year-end and received in full on 28 June 2021

48.4 Impact of the acquisitions on the results of the group

The businesses acquired during the year contributed revenues of R19.1 million and net losses after tax of R8.1 million to the group for the periods from dates of effective control. Had the acquisitions been effective on 1 April 2020 the contribution to revenue would have been R28.9 million and net losses of R35.7 million would have been the contribution to profits after tax.

49. FINANCIAL AND INSURANCE RISK MANAGEMENT

49.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the treasury departments of the major operating units under policies approved by their boards of directors. Their boards provide principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity. Credit risk is also managed at an entity level for trade receivables.

49.1.1 Market risk

Currency risk
The group is exposed to foreign exchange risk arising from various currencies, but primarily with respect to the US Dollar as detailed below. Foreign exchange risk arises from exposure in foreign operations due to trading transactions denominated in currencies other than the functional currency. The group secures, where cost effective, its debt denominated in US Dollar in the offshore entities with assets and cash flows of those offshore operations (where the functional currency of these entities is US Dollars). As a result, no forward cover contracts are required in respect of this debt. Foreign currency imports and exports within the group are managed using forward exchange contracts.

The following significant exchange rates applied during the year:

	Average rate		Reporting date	
	2021 **R**	2020 R	**2021** **R**	2020 R
United States Dollar	**16.35**	14.79	**14.84**	17.98

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FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

49. FINANCIAL AND INSURANCE RISK MANAGEMENT continued

49.1 Financial risk factors continued

49.1.1 Market risk continued

A 10% strengthening of the functional currency against the US Dollar at 31 March would have increased profit or loss by R26 million (2020: R28 million), with a 10% weakening of the functional currency against the US Dollar having the equal but opposite effect on profit or loss. This analysis assumes that all other variables, in particular interest rates, remain constant and was performed on a basis that is consistent with 2020.

The following carrying amounts were exposed to foreign currency exchange risk:

	2021 R'000	2020 R'000
Trade and other receivables		
British Pound	363	23 955
Euro	3 584	3 020
Kenyan Shilling	–	1 869
Mozambican Metical	–	11 435
Nigerian Naira	–	7 534
Seychelles Rupee	–	5 661
Swiss Franc	1 205	16 480
Tanzanian Shilling	–	1 402
United Arab Emirates Dirham	–	1 725
United States Dollar	12 732	27 188
Zambian Kwacha	–	11 644
Trade and other payables		
British Pound	11	348
Euro	2 352	2 014
Kenyan Shilling	–	3 293
Mozambican Metical	–	24 638
Nigerian Naira	–	25 918
Seychelles Rupee	–	11 339
Swiss Franc	4 660	5 628
Tanzanian Shilling	–	10 313
United Arab Emirates Dirham	–	955
United States Dollar	342 159	422 424
Zambian Kwacha	–	11 764
Cash and cash equivalents		
British Pound	15	507
Euro	42 123	6 539
Kenyan Shilling	–	321
Mozambican Metical	–	8 613
Nigerian Naira	–	16 622
Seychelles Rupee	–	1 381
Swiss Franc	983	7
United Arab Emirates Dirham	–	2 608
United States Dollar	72 072	114 134
Hong Kong Dollar	67	–

49. FINANCIAL AND INSURANCE RISK MANAGEMENT continued

49.1 Financial risk factors continued

49.1.1 Market risk continued

Interest rate risk

The group's primary interest rate risk arises from long-term borrowings. Borrowings at variable rates expose the group to cash flow interest rate risk and borrowings at fixed rates expose the group to fair value interest rate risk. Where appropriate, the group manages its interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting floating rate borrowings to fixed rates. Under the interest rate swaps, the group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to an agreed interest rate calculated on agreed notional principal amounts.

At 31 March the interest rate profile of the group's interest-bearing financial instruments, including the effect of interest rate swaps and bank overdrafts, was:

	Carrying amount	
	2021 R'000	2020 R'000
Fixed rate instruments		
Financial assets	–	190 504
Financial liabilities	**(10 444 178)**	(14 134 942)
	(10 444 178)	(13 944 438)
Variable rate instruments		
Financial assets	**1 857 725**	5 806 743
Financial liabilities	**(7 561 347)**	(13 186 710)
	(5 703 622)	(7 379 967)

Fair value sensitivity analysis for fixed rate instruments

A change of 100 basis points in interest rates would have increased or decreased equity by R75.2 million (2020: R100.4 million).

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased or decreased profit or loss by R41.1 million (2020: R53.1 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2020.

Other price risk

The group was not exposed to commodity price risk in the current year and in the prior year its exposure related to the API4 price of export-quality coal only. The group does not hedge its exposure to fluctuations in the price of export-quality coal. A change of 1% in the API4 price would have increased/decreased post-tax profits by R4.4 million in the prior year. The analysis assumed that all other variables remained constant.

49.1.2 Credit risk

The group has no significant concentrations of credit risk. Overall credit risk is managed at entity level and arises from cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions, and credit exposure to the group's customer base, including outstanding receivables and committed transactions. For banks and financial institutions, only group audit and risk committee-approved parties are accepted on behalf of the board. The group has policies that limit the amount of credit exposure to any bank and financial institution, including setting credit limits based on their credit ratings and generally only dealing with reputable financial institutions with strong credit ratings. Trade receivables comprise a large, widespread customer base and the group performs ongoing credit evaluations of the financial condition of its customers. The utilisation of credit limits are regularly monitored. Refer to note 15 for further credit risk analysis in respect of trade and other receivables. Credit limits exceeded during the year under review were closely monitored and management does not expect any losses from non-performance by these counterparties that have not been provided for.

The table below shows the group's maximum exposure to credit risk by class of asset:

	Carrying amount	
	2021 R'000	2020 R'000
Receivables	**1 918 699**	2 668 284
Cash and cash equivalents	**1 761 881**	5 685 032
	3 680 580	8 353 316

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FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

49. FINANCIAL AND INSURANCE RISK MANAGEMENT continued

49.1 Financial risk factors continued

49.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses the treasury functions of the major subsidiaries aim to maintain flexibility in funding by keeping committed credit lines available. Management monitors rolling forecasts of the group's liquidity headroom on the basis of expected cash flow and the resultant borrowing position compared to available credit facilities. This process is performed during each financial year-end for five years into the future in terms of the group's long-term planning process. Although the group's current liabilities exceed current assets at 31 March 2021, it must be noted that long-term borrowings totalling R2 355 million were classified as current borrowings following the breach of certain financial covenants as explained in note 20, even though these are not repayable within 12 months of the current reporting date. Management is of the view that the group will generate sufficient cash flows during the period to meet all current liability obligations. At the reporting date the company had net current liabilities of R1 012 million. R756 million in current liabilities were owing to wholly-owned subsidiaries and not due for payment at 31 March 2021, while the remainder was owing to third parties. At 31 March 2021 the company owned listed shares with a carrying value of R4 687 million, mitigating the liquidity risk identified through the net current liability position.

The table below analyses the group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, inclusive of capital and interest. The company's financial liabilities are all current and no maturity analysis has therefore been provided.

	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	Over 5 years R'000
2021				
Bank and other borrowings	4 888 267	4 682 346	9 694 945	904 296
Foreign exchange contracts	2 741	–	–	–
Interest rate swaps – cash flow hedges	42 845	–	228 008	–
Trade and other payables	2 048 337	–	–	–
Other non-current liabilities	10 688	7 236	–	–
	6 992 878	4 689 582	9 922 953	904 296
2020				
Bank and other borrowings	11 080 301	3 912 004	16 340 708	1 662 674
Interest rate swaps – cash flow hedges	4 876	144 469	130 301	–
Trade and other payables	2 533 732	–	–	–
Other non-current liabilities	10 969	–	4 790	–
	13 629 878	4 056 473	16 475 799	1 662 674

Defaults and breaches on loans

There were no breaches or defaults on the repayment of any loans payable during the current or prior year.

49. FINANCIAL AND INSURANCE RISK MANAGEMENT continued

49.2 Insurance and reinsurance risk

Insurance risk arises from fluctuations in the timing, amounts and frequency of claims and claim settlements relative to expectations, including inaccurate pricing of risks when underwritten or other risk transfer techniques and inadequate reserves.

Underwriting risk results from fluctuations in the timing, frequency and severity of insured events. It includes the risk that premium provisions turn out to be insufficient to compensate expected future claims, that the claims provisions raised for both reported and unreported claims are inadequate as well as the risk resulting from the volatility of expense payments.

Reinsurance risk is the risk of loss due to either insufficient or inappropriately structured reinsurance cover relative to the group's risk management strategy and objectives. It also includes the risk that the reinsurance programme is inappropriately administered. The group obtains third-party reinsurance cover to reduce risks from single events or accumulations of risk that could have a significant impact on the current year's earnings or the group's insurance subsidiary's capital adequacy requirements (refer to note 49.3).

The group manages its insurance risk through regular board meetings, where the group's exposures are reviewed and the insurance risks assessed. The group's insurance company (Tsogosure) is managed by independent insurance managers and has appointed third-party brokers who act as claims handlers, all of which review the claims data on a regular basis. The board of Tsogosure is provided with management accounts, solvency calculations and underwriting charts at each board meeting for their review.

Tsogosure writes property damage and business interruption, commercial crime, group personal accident and peripheral liability business for its own account as well as for Tsogo Sun Hotels (THL) and its subsidiary, Hospitality Property Fund (HPF), both of which are related parties of the group (refer to note 46). A description of Tsogosure's significant insurance policies is provided below:

Assets and business interruption
Tsogosure provides Assets and Business Interruption cover. Cover is provided for a per occurrence limit of R5 million and R10 million in the annual aggregate for THL, after reinsurance. Allianz Global Corporate & Specialty South Africa Limited (AGCS) is the lead reinsurer providing cover 100% over net retention. Incurred but not reported losses are set at 7% of the amount of outstanding loss reserves.

Hospitality Property Fund
Tsogosure provides Assets All Risk and Business Interruption cover in respect of HPF, a subsidiary of THL. Cover is provided for a per occurrence limit of R0.5 million unaggregated (2020: R0.5 million in the annual aggregate), after reinsurance. AGCS is the lead reinsurer providing cover 100% over net retention.

Effect of COVID-19
The board has considered the impact of the COVID-19 pandemic on Tsogosure and do not consider there to be any significant risks in terms of its ability to trade. Tsogosure has reserved up to the policy sub-limit of R150 million on the HPF policy and R27 million on the THL policy and the Assets and Business Interruption policy as a result of reported COVID-19 claims together with the resultant recovery from reinsurers. In considering the impact of COVID-19 losses, the board also considered Tsogosure's level of liquidity and its solvency margin and was satisfied that Tsogosure remains adequately capitalised.

49.3 Capital risk management

The group's objectives when managing capital are to safeguard its ability to continue as a going concern and provide optimal returns for shareholders through maintaining an optimal capital structure. The group defines capital as equity funding provided by shareholders and debt funding from external parties. Shareholder funding comprises permanent paid up capital, revenue reserves and other reserves, being revaluation reserves and foreign currency translation reserves together with loans from shareholders. The board's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The board of directors monitors the cost of capital, which the group defines as the weighted average cost of capital, taking into account the group's internally calculated cost of equity (shareholder funding) and long-term cost of debt assumptions. The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound equity position. The group's debt capacity and optimal gearing levels are determined by its cash flow profile and are measured through applicable ratios such as net debt to EBITDA and interest cover. In order to maintain or adjust the capital structure, in the absence of significant investment opportunities, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. There were no changes in the group's approach to capital management during the year.

Other than insurance regulations applicable to the group's short-term insurance business, neither the company nor any of its other subsidiaries are subject to externally imposed capital requirements. As a class 12 licence holder under Isle of Man Insurance Regulations, Tsogosure is required to maintain shareholders' funds in excess of £50 000 together with 10% of net written premium up to £2 million and 5% of net written premium in excess of £2 million. The group considers this, together with a calculation of capital adequacy, on a regular basis. Tsogosure complied with all externally imposed requirements during the period and held funds of R42 million (2020: R41 million) in excess of the regulatory minimum solvency margin at the reporting date.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

49. FINANCIAL AND INSURANCE RISK MANAGEMENT continued

49.4 Fair value estimation

IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 – Quoted prices available in active markets for identical assets or liabilities

Level 2 – Inputs used, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly

Level 3 – Fair value determined by valuation that uses inputs that are not based on observable market data

The following items are measured at fair value:

Group	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
2021				
ASSETS				
Financial assets at fair value through profit or loss				
Equity securities	246 488	–	–	246 488
Financial assets carried at fair value through other comprehensive income				
Equity securities	–	4 237	674 534	678 771
Unit trust investments	–	17 928	–	17 928
Other	–	–	40	40
Non-financial assets at fair value through profit or loss				
Investment property	–	–	5 381 333	5 381 333
Total assets	246 488	22 165	6 055 907	6 324 560
LIABILITIES				
Derivative financial instruments				
Foreign exchange contracts	–	2 741	–	2 741
Interest rate swaps – cash flow hedges	–	270 853	–	270 853
Total liabilities	–	273 594	–	273 594
2020				
ASSETS				
Financial assets at fair value through profit or loss				
Equity securities	35 340	–	–	35 340
Financial assets carried at fair value through other comprehensive income				
Equity securities	–	4 237	897 930	902 167
Unit trust investments	–	16 601	–	16 601
Other	–	–	40	40
Derivative financial instruments				
Foreign exchange contracts	–	37 823	–	37 823
Non-financial assets at fair value through profit or loss				
Investment property	–	–	9 344 524	9 344 524
Total assets	35 340	58 661	10 242 494	10 336 495
LIABILITIES				
Derivative financial instruments				
Interest rate swaps – cash flow hedges	–	279 646	–	279 646
Total liabilities	–	279 646	–	279 646

49. FINANCIAL AND INSURANCE RISK MANAGEMENT continued

49.4 Fair value estimation continued

The following table presents the changes in level 3 assets for the year:

Group	Equity securities R'000	Other R'000	Investment property R'000	Total R'000
2021				
ASSETS				
Carrying value at the beginning of the year	897 930	40	9 344 524	10 242 494
Additions	–	–	27 070	27 070
Improvements	–	–	135 477	135 477
Disposals	–	–	(73 350)	(73 350)
Transfer to property, plant and equipment	–	–	(2 377 718)	(2 377 718)
Transfer from non-current assets held for sale	–	–	114 626	114 626
Movements in non-current operating lease equalisation assets	–	–	12 876	12 876
Fair value adjustments	(223 396)	–	(35 840)	(259 236)
Disposal of subsidiaries and businesses	–	–	(1 765 795)	(1 765 795)
Other	–	–	(537)	(537)
Carrying value at the end of the year	674 534	40	5 381 333	6 055 907
2020				
ASSETS				
Carrying value at the beginning of the year	1 265 670	40	10 170 837	11 436 547
Additions	–	–	97 825	97 825
Improvements	–	–	256 016	256 016
Disposals	–	–	(11 454)	(11 454)
Transfer from property, plant and equipment	–	–	12 987	12 987
Transfer to non-current assets held for sale	–	–	(200 000)	(200 000)
Movements in non-current operating lease equalisation assets	–	–	11 531	11 531
Fair value adjustments	(367 740)	–	(993 218)	(1 360 958)
Carrying value at the end of the year	897 930	40	9 344 524	10 242 494
Notes	8		2	

50. EVENTS SUBSEQUENT TO REPORTING DATE

Other than as mentioned below, the directors are not aware of any matter or circumstance arising since the statement of financial position date and up to the date of these consolidated financial statements, not otherwise dealt with within the financial statements, that would significantly affect the operations or results of the group.

Business interruption insurance claim
The Tsogo Sun Gaming group has reached agreement with its insurers regarding its COVID-19 business interruption claim, with the settlement expected to be R111 million.

Civil unrest in South Africa
The recent civil unrest in parts of KwaZulu-Natal and Gauteng is considered to be a non-adjusting post-balance sheet event in terms of IAS 10 Events After the Reporting Period. No property of the group has been affected with the exception of a number of bingo sites and LPM operator sites which have been damaged and looted. The damage caused has not been fully quantified yet and a high-level assessment indicates losses of approximatelyR50 million. Insurance claims will be submitted to SASRIA for damage suffered.

Purchase of Tsogo Sun Hotels (THL) shares
In June 2021 the company purchased 21 181 480 shares in THL from HCI Foundation.

51. IMPACT OF COVID-19 PANDEMIC AND GOING CONCERN

Trading

The outbreak of the COVID-19 pandemic and subsequent national lockdown during the first few months of the current financial year, has had a profound impact on the group. While the majority of the group's media and broadcasting, transport and coal mining operations were designated as essential services under the lockdown regulations, the group's gaming, hotel, and branded products and manufacturing operations have not been able to trade during the initial stages of the lockdown. Most of the group's manufacturing business was allowed to reopen when the lockdown regulations were relaxed with effect from 1 May 2020 and a further relaxation on 1 June 2020 meant that all businesses within the branded products and manufacturing group could reopen. The group's gaming and hotel operations were the most severely affected, having only been allowed to resume trading, under very restrictive trading conditions, during June.

Even though it was designated as essential services, the group's transport and media interests have seen a significant reduction in revenues during the first quarter of the current financial year due to a decrease in demand for public passenger transport services during the national lockdown and the loss of advertising revenue from some key industries such as fast foods, alcohol and the motor industry. The group's properties division has been impacted by the reduced ability of its tenant base to comply with its rent obligations as a significant portion of its tenants have not been able to trade during the period of lockdown restrictions.

It is anticipated that some businesses in the group will continue to face severe short-term trading challenges due to government-enforced restrictions like social distancing, restrictions of gatherings, continuous closure of restaurants and bars as well as the general impact of the weak economy on customers' disposable incomes. The measures taken by government to limit the spread of COVID-19 and the resultant inability for travellers to travel internationally will continue to limit the demand for hotel rooms, which will significantly impact the hotel group's revenue streams. Hotel trading is therefore expected to remain under pressure until the outlook on the South African economy improves. Similarly, the gaming group's net gaming win is expected to remain under pressure due to the restrictions mentioned above, which will prevent its casinos from operating at full capacity.

It is expected that the recovery of the gaming and hospitality industry will be slow due to the uncertainties around the health of travellers and the negative economic impact on government, corporates and individuals to spend on hotel accommodation, conferences and leisure. The group's forecast models assume a recovery in trading for its operations most severely impacted by COVID-19 during the 2022 and 2023 financial years.

Liquidity and funding

The group's main focus was to preserve cash and maintain financial liquidity during the period its businesses were prevented from trading or only allowed to trade on a limited basis. This was primarily achieved by eliminating variable operating costs as quickly as possible, reducing fixed costs and cancelling non-essential and uncommitted capital expenditure. Steps taken by some of the group's subsidiaries included laying off employees on a temporary basis, reducing payroll, seeking rent relief from landlords for the period of the lockdown and subsequent low-demand periods, negotiating reduced or extended payment terms with major suppliers of fixed cost services and the deferral of dividends.

Based on the inability to generate revenue during the lockdown period, together with the expected slow recovery once the group's hotels and casino precincts could open and operate, it became evident that the group's hotel and gaming businesses would not be able to meet the covenant requirements in terms of its funding agreements for the September 2020 measurement period. This would result in the lenders requiring immediate repayment of its interest-bearing borrowings (excluding bank overdrafts) at the date of breach. Management of these operations entered into negotiations with its lenders with the subsequent measures, as detailed in note 20, being agreed.

In addition, the share prices of Tsogo Sun Gaming and Tsogo Sun Hotels deteriorated significantly in the period leading up to the trade restrictions noted above. As a result the security cover ratio covenants relating to certain central borrowings were breached. The company and its funders agreed to pursue remedial action with the subsequent measures, as detailed in note 20, being agreed.

The group has interest-bearing borrowings amounting to R17.6 billion as at 31 March 2021, of which R11.2 billion relates to its gaming interests. Based on cash flow projections prepared by the gaming group, its liquidity is expected to be adequate to service its debt. The group is focused on reducing its medium to long-term debt levels, thereby reducing risk and funding costs. Debt reduction should accordingly be accelerated during 2022, provided that there are no further setbacks relating to the imposition of regulatory restrictions constraining the group's ability to trade.

Going concern

The consolidated and separate financial statements are prepared on the going concern basis. Based on the group's and company's cash flow forecasts, available cash resources and the other actions taken or proposed by management to mitigate the financial and operational impact of COVID-19, the directors are of the view that both the group and company have sufficient resources to continue operations as a going concern in a sustainable manner. In preparing the cash flow forecasts utilised to assess going concern, the impact of the COVID-19 pandemic on the group's and company's operations and liquidity was considered.

52. PRIOR PERIOD RESTATEMENTS

52.1 Discontinued operations

The group has disclosed the results of discontinued operations separately on the face of the statement of profit or loss, with the detailed results of these operations presented in note 39. The prior year results for the media and broadcasting, hotels and coal mining segments have been restated in compliance with the disclosure requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (IFRS 5). A business within the gaming segment had been reclassified from discontinued operations to continuing operations during the current year (refer to note 16.3) and the gaming segment's comparatives restated in compliance with IFRS 5.

The effect of the restatement on the annual financial statements for the year ended 31 March 2020 is as follows:

	Previously reported 2020 R'000	Restatement 2020 R'000	Restated 2020 R'000
STATEMENT OF PROFIT OR LOSS			
Revenue	14 924 170	(4 380 349)	10 543 821
Net gaming win	9 846 472	75 821	9 922 293
Property rental income	1 023 944	(331 092)	692 852
	25 794 586	(4 635 620)	21 158 966
Depreciation and amortisation	(1 675 268)	422 114	(1 253 154)
Other operating expenses and income	(19 032 879)	3 464 274	(15 568 605)
Investment income	524 354	(36 335)	488 019
Share of losses of associates and joint arrangements	(176 689)	3 429	(173 260)
Investment surplus	29 524	–	29 524
Fair value adjustment on associate on gaining control	9 163	–	9 163
Fair value adjustments on investment properties	(993 218)	887 913	(105 305)
Asset impairments	(10 261 318)	854 094	(9 407 224)
Fair value adjustments on financial instruments	(2 122)	1 615	(507)
Impairment of goodwill and investments	(847 970)	827 388	(20 582)
Finance costs	(2 310 645)	399 690	(1 910 955)
Loss before taxation	(8 942 482)	2 188 562	(6 753 920)
Taxation	1 750 053	(17 881)	1 732 172
Loss for the year from continuing operations	(7 192 429)	2 170 681	(5 021 748)
Discontinued operations	(132 595)	(2 170 681)	(2 303 276)
Loss for the year	(7 325 024)	–	(7 325 024)
Attributable to:			
Equity holders of the parent	(3 805 278)	–	(3 805 278)
Non-controlling interest	(3 519 746)	–	(3 519 746)
	(7 325 024)	–	(7 325 024)

This restatement had no impact on the group's statement of financial position, its cash flows or earnings per share for the prior year.

52.2 Reclassification of non-current operating lease equalisation assets

Non-current operating lease equalisation assets relating to the group's properties, and media and broadcasting interests have been reclassified to investment properties and non-current receivables, respectively. This was done in order to present all non-current balances related to investment properties in one category and to reduce clutter in the financial statements. The impact on the comparative results as presented in the statement of financial position, is as follows:

- investment properties increased by R114.8 million;
- non-current receivables increased by R6.5 million; and
- non-current operating lease equalisation assets decreased by R121.3 million.

This reclassification had no impact on the group's profits or its earnings per share for the prior year.

52.3 Restatement of cash flows

The group's results for the prior year were restated for the disclosure of cash flows from loans receivable and other liabilities on a gross basis. These restatements had no impact on total cash flows from investing or financing activities.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

53. FINANCIAL INSTRUMENTS

An analysis of the group's assets and liabilities, classified by financial instrument, is set out below.

	Amortised cost		Non-financial instruments	
Group	2021 R'000	2020 R'000	2021 R'000	2020* R'000
ASSETS				
Non-current assets	146 187	297 823	39 334 784	53 052 628
Property, plant and equipment	–	–	16 610 166	25 686 739
Right-of-use assets	–	–	353 250	1 172 047
Investment properties	–	–	5 381 333	9 344 524
Goodwill	–	–	3 872 534	3 943 166
Intangible assets	–	–	9 156 246	9 388 213
Intangible assets mining	–	–	21 707	36 587
Investments in associates	–	–	3 571 565	2 842 162
Investments in joint arrangements	–	–	2 413	135 610
Other financial assets	88 338	82 839	–	–
Deferred taxation	–	–	340 893	467 886
Finance lease receivables	–	–	15 880	25 113
Post-retirement benefit assets	–	–	–	4 045
Non-current receivables	57 849	214 984	8 797	6 536
Current assets	3 128 324	7 787 143	2 212 417	2 381 340
Inventories	–	–	620 913	1 054 443
Programme rights	–	–	1 074 631	845 355
Other financial assets	–	–	–	–
Trade and other receivables	1 366 443	2 102 111	399 095	339 523
Taxation	–	–	117 778	142 019
Cash and cash equivalents	1 761 881	5 685 032	–	–
Disposal group assets held for sale	14 170	64 016	174 051	304 668
Total assets	3 288 681	8 148 982	41 721 252	55 738 636
LIABILITIES				
Non-current liabilities	13 672 617	18 185 151	5 342 011	6 936 755
Financial liabilities	–	–	–	–
Borrowings	13 665 381	18 169 392	–	–
Lease liabilities	–	–	410 047	1 424 481
Post-retirement benefit liabilities	–	–	146 453	135 407
Long-term incentive plan	–	–	24 570	–
Long-term provisions	–	–	70 604	218 324
Deferred revenue and income	–	–	110 550	121 235
Deferred taxation	–	–	4 578 055	5 035 017
Other non-current liabilities	7 236	15 759	1 732	2 291
Current liabilities	6 403 542	11 706 455	719 435	1 026 773
Trade and other payables	2 048 337	2 533 732	472 379	399 483
Deferred revenue and income	15 061	20 463	27 143	113 066
Financial liabilities	–	–	–	–
Current portion of borrowings	3 919 533	5 195 377	–	–
Taxation	–	–	50 374	203 030
Provisions	–	–	169 539	311 194
Bank overdrafts	420 611	3 956 883	–	–
Disposal group liabilities held for sale	10 917	72 569	6 748	33 474
Total liabilities	20 087 076	29 964 175	6 068 194	7 997 002

* Restated, refer to details as set out in note 52.2

Fair value through other comprehensive income		Fair value through profit or loss		Derivative financial instruments		Total	
2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000
696 739	918 808	246 488	35 340	–	–	40 424 198	54 304 599
–	–	–	–	–	–	16 610 166	25 686 739
–	–	–	–	–	–	353 250	1 172 047
–	–	–	–	–	–	5 381 333	9 344 524
–	–	–	–	–	–	3 872 534	3 943 166
–	–	–	–	–	–	9 156 246	9 388 213
–	–	–	–	–	–	21 707	36 587
–	–	–	–	–	–	3 571 565	2 842 162
–	–	–	–	–	–	2 413	135 610
696 739	918 808	246 488	35 340	–	–	1 031 565	1 036 987
–	–	–	–	–	–	340 893	467 886
–	–	–	–	–	–	15 880	25 113
–	–	–	–	–	–	–	4 045
–	–	–	–	–	–	66 646	221 520
–	–	–	–	–	37 823	5 340 741	10 206 306
–	–	–	–	–	–	620 913	1 054 443
–	–	–	–	–	–	1 074 631	845 355
–	–	–	–	–	37 823	–	37 823
–	–	–	–	–	–	1 765 538	2 441 634
–	–	–	–	–	–	117 778	142 019
–	–	–	–	–	–	1 761 881	5 685 032
–	–	–	12 687	–	–	188 221	381 371
696 739	918 808	246 488	48 027	–	37 823	45 953 160	64 892 276
–	–	–	–	228 008	274 770	19 242 636	25 396 676
–	–	–	–	228 008	274 770	228 008	274 770
–	–	–	–	–	–	13 665 381	18 169 392
–	–	–	–	–	–	410 047	1 424 481
–	–	–	–	–	–	146 453	135 407
–	–	–	–	–	–	24 570	–
–	–	–	–	–	–	70 604	218 324
–	–	–	–	–	–	110 550	121 235
–	–	–	–	–	–	4 578 055	5 035 017
–	–	–	–	–	–	8 968	18 050
–	–	–	–	45 586	4 876	7 168 563	12 738 104
–	–	–	–	–	–	2 520 716	2 933 215
–	–	–	–	–	–	42 204	133 529
–	–	–	–	45 586	4 876	45 586	4 876
–	–	–	–	–	–	3 919 533	5 195 377
–	–	–	–	–	–	50 374	203 030
–	–	–	–	–	–	169 539	311 194
–	–	–	–	–	–	420 611	3 956 883
–	–	–	–	–	–	17 665	106 043
–	–	–	–	273 594	279 646	26 428 864	38 240 823

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FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

53. FINANCIAL INSTRUMENTS continued

Company	Amortised cost 2021 R'000	Amortised cost 2020 R'000	Non-financial instruments 2021 R'000	Non-financial instruments 2020 R'000
ASSETS				
Non-current assets	2 233 116	3 279 696	10 194 851	10 191 896
Investments in associates	–	–	232 586	3 000
Investments in and amounts owing from subsidiary companies	2 222 084	3 268 664	9 962 265	10 188 896
Non-current receivables	11 032	11 032	–	–
Current assets	8 526	8 708	–	–
Trade and other receivables	7 185	8 473	–	–
Cash and cash equivalents	1 341	235	–	–
Total assets	2 241 642	3 288 404	10 194 851	10 191 896
LIABILITIES				
Current liabilities	1 020 079	1 385 111	76	1 101
Trade and other payables	3 577	3 877	–	–
Amounts owing to subsidiary companies	755 560	902 122	–	–
Current portion of borrowings	46 027	–	–	–
Taxation	–	–	76	1 101
Bank overdrafts	214 915	479 112	–	–
Total liabilities	1 020 079	1 385 111	76	1 101

Fair value through other comprehensive income		Fair value through profit or loss		Derivative financial instruments		Total	
2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000
–	–	–	–	–	–	12 427 967	13 471 592
–	–	–	–	–	–	232 586	3 000
–	–	–	–	–	–	12 184 349	13 457 560
–	–	–	–	–	–	11 032	11 032
–	–	–	–	–	–	8 526	8 708
–	–	–	–	–	–	7 185	8 473
–	–	–	–	–	–	1 341	235
–	–	–	–	–	–	12 436 493	13 480 300
–	–	–	–	–	–	1 020 155	1 386 212
–	–	–	–	–	–	3 577	3 877
–	–	–	–	–	–	755 560	902 122
–	–	–	–	–	–	46 027	–
–	–	–	–	–	–	76	1 101
–	–	–	–	–	–	214 915	479 112
–	–	–	–	–	–	1 020 155	1 386 212

ANNEXURE A – INTEREST IN PRINCIPAL SUBSIDIARY COMPANIES FOR THE YEAR ENDED 31 MARCH 2021

	Issued share capital R'000	Effective interest %	2021 Shares R'000	2021 Loans R'000	2020 Shares R'000	2020 Loans R'000
SHARES AND LOANS STATED AT COST LESS IMPAIRMENT						
Investment holding						
Deepkloof Limited[1]	58	100	**	–	**	–
Fulela Trade and Invest 81 Proprietary Limited	*	100	**	–	**	–
HCI Central Investments Proprietary Limited	*	100	*	–	*	–
HCI Invest 14 Holdco Proprietary Limited	181 600	100	181 600	2 154 600	*	2 323 348
Johnnic Holdings Limited	16 647	100	**	–	**	–
Squirewood Investments 64 Proprietary Limited	*	100	*	–	*	–
TIH Prefco (RF) Proprietary Limited	11 779 570	100	4 923 086	(480 916)	6 080 195	(659 942)
TIHC Investments (RF) Proprietary Limited	12 039 448	100	**	–	**	–
HCI Sun Energy Three Proprietary Limited	*	100	*	–	*	–
Niveus AG[2]	1 000	100	**	–	**	–
Niveus Invest 20 Proprietary Limited	*	100	*	67 465	*	49 083
Gaming						
Tsogo Sun Gaming Limited***	3 287	50	1 372 008	–	1 528 935	–
Tsogo Sun Hotels, Gaming and Entertainment Proprietary Limited	30	50	**	–	**	–
Galaxy Gaming and Entertainment Proprietary Limited	*	50	**	–	**	–
Vukani Gaming Corporation Proprietary Limited	3 052 468	50	**	–	**	–
Tsogo Sun Alternative Gaming Investments Proprietary Limited	4 754 851	50	**	–	**	–
Hotels						
Tsogo Sun Hotels Limited[3]	–	–	–	–	468 628	–
Hospitality Property Fund Limited[3]	–	–	–	–	**	–
Financial and management services						
HCI Managerial Services Proprietary Limited	*	100	*	–	*	–
HCI Treasury Proprietary Limited	*	100	81 654	(272 935)	274 814	(240 471)
Transport						
Hosken Passenger Logistics and Rail Limited***	1 797 160	82	953 514	–	953 514	–
Eljosa Travel and Tours Proprietary Limited	*	62	**	–	**	–
Golden Arrow Bus Services Proprietary Limited	*	82	**	–	**	–
HPL and R Investments Proprietary Limited	1 770 000	82	**	–	**	–
Hollyberry Props 12 Proprietary Limited	*	82	**	–	**	–
Table Bay Area Rapid Transit Proprietary Limited	330	82	**	–	**	–
Sibanye Bus Services Proprietary Limited	*	82	**	–	**	–

* Under R1 000
** Indirectly held
*** Direct and indirect shareholding through intermediary companies
1 Channel Islands
2 Switzerland
3 Control lost during the current year, refer to note 9

	Issued share capital R'000	Effective interest %	2021 Shares R'000	2021 Loans R'000	2020 Shares R'000	2020 Loans R'000
Media and broadcasting						
eMedia Holdings Limited***	6 762 797	80	1 622 232	–	**	–
Crystal Brook Distribution Proprietary Limited	*	54	**	–	**	–
e.Sat.tv Proprietary Limited	*	54	**	–	**	–
e.tv Proprietary Limited	108	54	**	–	**	–
Longkloof Limited[1]	*	54	**	–	**	–
eMedia Investments Proprietary Limited	55	54	**	–	**	–
Sabido Properties Proprietary Limited	*	54	**	–	**	–
Yired Proprietary Limited	*	54	**	–	**	–
HCI Invest 3 Holdco Proprietary Limited	5 291 604	80	**	–	**	–
Silverline 360 Proprietary Limited	*	54	**	–	**	–
Coal mining						
HCI Coal Proprietary Limited	*	100	6 794	–	6 794	–
Branded products and manufacturing						
Deneb Investments Limited***	1 459 387	85	510 086	–	467 579	–
Formex Industries Proprietary Limited	100	85	**	–	**	–
Sargas Proprietary Limited	2 500	85	**	–	**	–
Seartec Trading Proprietary Limited	1	85	**	–	**	–
Properties						
Lynnridge Shopping Centre Proprietary Limited	80 141	80	**	–	**	–
Gallagher Estate Holdings Limited	19 295	100	**	–	**	–
Highland Night Investments 93 Proprietary Limited	33 358	52	**	–	**	–
Kalahari Village Mall Proprietary Limited	80 087	45	**	–	**	–
Olympus Village Proprietary Limited	40 128	52	**	–	**	–
Permasolve Investments Proprietary Limited	*	60	*	–	*	–
Mironetix Proprietary Limited	296 424	80	237 139	–	232 940	–
Curagen Investments Proprietary Limited	59 665	60	**	–	**	–
HCI Monte Precinct Proprietary Limited	*	100	*	–	*	–
HCI – Sydney Road Proprietary Limited	*	80	*	–	*	–
HCI Westlake Properties Proprietary Limited	*	100	*	–	*	–
HCI – Rand Daily Mail Proprietary Limited	*	100	*	–	*	–
HCI – Shell House Proprietary Limited	*	75	*	–	*	–
K2013204008 Proprietary Limited[2]	–	–	–	–	**	–
HCI – Whale Coast Village Proprietary Limited	120 698	80	**	–	**	–
HCI – The Palms Proprietary Limited	*	60	*	–	*	–

* Under R1 000
** Indirectly held
*** Direct and indirect shareholding through intermediary companies
1 Channel Islands
2 Disposed of during the current year

ANNEXURE A – INTEREST IN PRINCIPAL SUBSIDIARY COMPANIES FOR THE YEAR ENDED 31 MARCH 2021

(CONTINUED)

	Issued share capital R'000	Effective interest %	2021 Shares R'000	2021 Loans R'000	2020 Shares R'000	2020 Loans R'000
Other						
HCI Invest 15 Holdco Proprietary Limited	*	100	*	–	*	19 887
IGI Investment Company Limited	37 546	55	*	(1 702)	*	(1 702)
La Concorde Holdings Limited***	*	89	57 699	–	57 562	–
Merilyn Investments Proprietary Limited	10 002	100	*	–	*	–
Tsogo Investment Holding Company Proprietary Limited	960 134	90	**	–	**	–
Tuffsan 88 Proprietary Limited	654	100	*	–	656	–
Tylon Holdings Proprietary Limited	*	100	16 429	–	16 429	–
HCI Invest 6 Holdco Proprietary Limited	4 229 481	100	24	–	*	876 339
Niveus Investments Limited	925 399	100	*	–	100 850	–
Niveus Invest 14 Proprietary Limited	*	100	*	11	**	–
Niveus Invest 3 Proprietary Limited	*	100	*	1	**	–
Niveus Managerial Services 2 Proprietary Limited	*	100	*	–	**	–
GRiPP Advisory Proprietary Limited	*	75	*	–	*	–
			9 962 265	1 466 524	10 188 896	2 366 542

* Under R1 000
** Indirectly held
*** Direct and indirect shareholding through intermediary companies

Subsidiaries whose financial position or results are not material are excluded.

Details of excluded subsidiaries are available from the company secretary.

	2021 R'000	2020 R'000
Profits and losses of consolidated subsidiary companies attributable to the company		
Aggregate profits after tax	1 365 259	4 702 816
Aggregate losses after tax	(4 781 039)	(7 715 792)

Subsidiaries are incorporated in South Africa unless otherwise shown.

Encumbrances
Shares having a total carrying value of R35 922 million (2020: R11 928 million) have been pledged as security for certain loans owing to loan funders of the group. Refer to note 20.

CORPORATE ADMINISTRATION

COMPANY REGISTRATION NUMBER:	1973/007111/06
SHARE CODE:	HCI ISIN: ZAE000003257
REGISTERED OFFICE:	Suite 801, 76 Regent Road, Sea Point, Cape Town 8005 PO Box 5251, Cape Town, 8000 Telephone: 021 481 7560
WEBSITE ADDRESS:	www.hci.co.za
COMPANY SECRETARY:	HCI Managerial Services Proprietary Limited
DIRECTORS:	*Executive Directors* John Anthony Copelyn (Chief Executive Officer) James Robert Nicolella (Financial Director) Theventheran Govindsamy Govender [Kevin) Yunis Shaik *Independent Non-Executive Directors* Mohamed Haroun Ahmed Mimi Freddie Magugu Rachel Doreen Watson Velaphi Elias Mphande (Chairman) Jabulani Geffrey Ngcobo *Non-Executive Directors* Laurelle McDonald Sinqumile Nqobani Njongwe Mkhwanazi-Sigege
AUDITOR:	BDO South Africa Incorporated Wanderers Office Park, 52 Corlett Drive, Illovo, 2196 Private Bag X10046, Sandton, 2146
BANKERS:	First National Bank of Southern Africa Limited
TRANSFER SECRETARIES:	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 South Africa Private Bag X9000, Saxonwold, 2132
SPONSOR:	Investec Bank Limited 100 Grayston Drive, Sandton, Sandown, 2196

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Hosken Consolidated Investments Limited

2021