Hosken Consolidated Investments Limited

REVIEWED PROVISIONAL CONSOLIDATED RESULTS

FOR THE YEAR ENDED 31 MARCH 2017

CORPORATE ADMINISTRATION

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

* Independent non-executive
** Non-executive

HOSKEN CONSOLIDATED INVESTMENTS LIMITED
Incorporated in the Republic of South Africa
Registration number: 1973/007111/06
Share code: HCI
ISIN: ZAE000003257
("HCI" or "the company" or "the group")

Company secretary:
HCI Managerial Services Proprietary Limited

Registered office:
5th Floor, 4 Stirling Street, Zonnebloem,
Cape Town, 7925
PO Box 5251, Cape Town, 8000
Telephone: 021 481 7560
Telefax: 021 434 1539

Auditors:
Grant Thornton Johannesburg Partnership
@Grant Thornton, Wanderers Office Park,
52 Corlett Drive, Illovo, 2196
Private Bag X10046, Sandton, 2146

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

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

Website address:
www.hci.co.za

INVESTMENTS

Tsogo Sun Holdings

Niveus Investments

eMedia Holdings

Vukani Gaming Corporation

Galaxy Bingo

OpenView HD

Golden Arrow Bus Service

HCI Coal

eNCA

Deneb Investments

Gallagher Estate

HCI Properties (division)

Impact Oil & Gas

Formex Industries

Business Systems Group (Africa)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed 31 March 2017 R'000	Audited 31 March 2016* R'000	Audited 31 March 2015 R'000
ASSETS			
Non-current assets	**61 845 515**	55 612 739	52 711 217
Property, plant and equipment	**25 127 835**	24 371 720	23 147 181
Investment properties	**8 510 174**	3 021 423	2 530 138
Goodwill	**4 785 158**	4 999 002	4 926 092
Interest in associates and joint ventures	**1 454 782**	1 453 268	1 336 564
Other financial assets	**1 275 663**	666 581	49 231
Intangibles	**19 605 686**	19 981 572	19 989 106
Deferred taxation	**379 252**	449 789	440 056
Operating lease equalisation asset	**80 393**	88 275	46 476
Long-term receivables	**626 572**	581 109	246 373
Current assets	**8 563 616**	8 850 081	8 964 849
Inventories	**955 733**	2 010 102	1 918 296
Programme rights	**866 244**	490 973	431 169
Other financial assets	**38 333**	87 056	59 360
Trade and other receivables	**2 541 697**	2 570 221	2 640 686
Taxation	**101 431**	152 071	121 996
Bank balances and deposits	**4 060 178**	3 539 658	3 793 342
Disposal group assets held for sale	**126 632**	147 298	307 338
Total assets	**70 535 763**	64 610 118	61 983 404
EQUITY AND LIABILITIES			
Equity	**36 119 875**	32 928 450	30 503 423
Equity attributable to equity holders of the parent	**15 755 603**	16 539 747	14 950 989
Non-controlling interest	**20 364 272**	16 388 703	15 552 434
Non-current liabilities	**22 868 060**	21 483 182	21 502 570
Deferred taxation	**8 081 558**	8 135 931	7 854 042
Long-term borrowings	**13 999 138**	12 098 381	12 356 611
Operating lease equalisation liability	**254 740**	280 497	280 753
Other	**532 624**	968 373	1 011 164
Current liabilities	**11 543 748**	10 181 883	9 952 444
Trade and other payables	**3 210 411**	2 966 211	2 862 846
Current portion of borrowings	**5 194 588**	3 247 985	3 184 504
Taxation	**124 115**	155 846	153 362
Bank overdrafts	**2 396 036**	3 058 696	3 102 514
Other	**618 598**	753 145	649 218
Disposal group liabilities held for sale	**4 080**	16 603	24 967
Total equity and liabilities	**70 535 763**	64 610 118	61 983 404
Net asset carrying value per share (cents)	**17 897**	15 887	14 370

* *Restated*

CONDENSED CONSOLIDATED INCOME STATEMENT

	% change	Reviewed 31 March 2017 R'000	Audited 31 March 2016* R'000
Revenue		**14 829 657**	13 018 211
Net gaming win		**8 805 745**	8 523 426
Income	9.7%	**23 635 402**	21 541 637
Expenses		**(17 051 612)**	(15 792 721)
EBITDA	14.5%	**6 583 790**	5 748 916
Depreciation and amortisation		**(1 411 497)**	(1 352 670)
Operating profit		**5 172 293**	4 396 246
Investment income		**268 375**	195 209
Finance costs		**(1 623 439)**	(1 354 183)
Share of (losses) profits of associates and joint ventures		**(74 752)**	31 459
Gain on bargain purchase		**81 764**	4 630
Investment surplus		**88 663**	(6 781)
Fair value adjustment on associate on change of control		**–**	(1 094)
Fair value adjustments of investment properties		**941 655**	149 791
Asset impairments		**(25 134)**	(147 781)
Fair value adjustments of financial instruments		**–**	4 560
Impairment of goodwill and investments		**(33 159)**	(18 176)
Profit before taxation	47.4%	**4 796 266**	3 253 880
Taxation		**(1 074 406)**	(1 124 924)
Profit for the year from continuing operations		**3 721 860**	2 128 956
Discontinued operations		**(447 383)**	(6 984)
Profit for the year		**3 274 477**	2 121 972
Attributable to:			
Equity holders of the parent		**1 237 909**	1 043 404
Non-controlling interest		**2 036 568**	1 078 568
		3 274 477	2 121 972

* *Restated*

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Reviewed 31 March 2017 R'000	Audited 31 March 2016 R'000
Profit for the year	**3 274 477**	2 121 972
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences	**(230 431)**	525 122
Reclassification of foreign currency differences on disposal	**(253 799)**	–
Cash flow hedge reserve	**(92 005)**	116 438
Available-for-sale financial asset revaluations	**(10 879)**	–
Items that may not be reclassified subsequently to profit or loss		
Actuarial gains on post-employment benefit liability	**580**	34 236
Total comprehensive income	**2 687 943**	2 797 768
Attributable to:		
Equity holders of the parent	**805 310**	1 515 368
Non-controlling interest	**1 882 633**	1 282 400
	2 687 943	2 797 768

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reviewed 31 March 2017 R'000	Audited 31 March 2016* R'000
Balance at the beginning of the year	**32 928 450**	30 503 423
Share capital and premium		
Treasury shares released	**18 571**	44 709
Shares repurchased	**(1 727 194)**	(35 767)
Current operations		
Total comprehensive income	**2 687 943**	2 797 768
Equity-settled share-based payments	**13 084**	11 689
Acquisition of subsidiaries	**2 914 131**	(1 252)
Disposal of subsidiaries	**(319 422)**	–
Effects of changes in holding	**478 583**	276 905
Dividends	**(874 271)**	(669 025)
Balance at the end of the year	**36 119 875**	32 928 450

* *Restated*

RECONCILIATION OF HEADLINE EARNINGS

	% change	Reviewed year ended 31 March 2017 Gross R'000	Reviewed year ended 31 March 2017 Net R'000	Audited year ended 31 March 2016 Gross R'000	Audited year ended 31 March 2016 Net R'000
Earnings attributable to equity holders of the parent	18.6%		**1 237 909**		1 043 404
IFRS 3 gain on bargain purchase		**(81 764)**	**(35 463)**	(4 630)	(4 630)
IFRS 3 impairment of goodwill		**3 958**	**1 552**	18 176	9 106
IFRS 5 loss on disposal of business assets		**503 629**	**113 178**	–	–
IFRS 10 fair value adjustment of remaining investment		**–**	**–**	2 811	1 324
IAS 12 change in tax rate		**–**	**–**	16 670	11 491
IAS 16 gains on disposal of property		**–**	**–**	(3 541)	(2 748)
IAS 16 losses on disposal of plant and equipment		**5 660**	**1 575**	3 478	1 966
IAS 16 impairment of plant and equipment		**7 655**	**1 788**	25 386	8 937
IAS 21 foreign currency translation reserve recycled		**(253 799)**	**(216 292)**	(11 600)	(5 094)
IAS 27 losses from disposal/part disposal of subsidiary		**405 186**	**391 839**	6 781	3 532
IAS 28 gain on disposal of associates and joint ventures		**–**	**–**	(6 661)	(3 550)
IAS 28 impairment of associates and joint ventures		**29 286**	**11 989**	400	92
IAS 28 recycle reserves upon disposal of joint ventures		**–**	**–**	(6 856)	(6 856)
IAS 36 impairment of assets		**–**	**–**	2 154	769
IAS 38 losses on disposal of intangible assets		**–**	**–**	254	101
IAS 38 impairment of intangible assets		**8 281**	**2 639**	132 365	56 218
IAS 39 recycle of fair value reserves relating to available-for-sale financial instruments		**(46 250)**	**(20 060)**	–	–
IAS 40 profits on disposal of investment property		**(36 339)**	**(7 973)**	–	–
IAS 40 fair value adjustment to investment property		**(941 655)**	**(258 748)**	(149 773)	(71 880)
Remeasurements included in equity-accounted earnings of associates and joint ventures		**82 992**	**82 077**	2 295	2 295
Headline profit	25.0%		**1 306 010**		1 044 477
Basic earnings per share (cents)					
Earnings	31.1%		**1 312.99**		1 001.66
Continuing operations			**1 582.96**		943.83
Discontinued operations			**(269.97)**		57.83
Headline earnings	38.1%		**1 385.22**		1 002.69
Continuing operations			**1 346.66**		951.60
Discontinued operations			**38.56**		51.09
Weighted average number of shares in issue ('000)			**94 282**		104 167
Actual number of shares in issue at the end of the year (net of treasury shares) ('000)			**88 034**		104 108
Diluted earnings per share (cents)					
Earnings	31.1%		**1 298.47**		990.42
Continuing operations			**1 565.46**		933.23
Discontinued operations			**(266.99)**		57.19
Headline earnings	38.2%		**1 369.90**		991.44
Continuing operations			**1 331.77**		940.92
Discontinued operations			**38.13**		50.52
Weighted average number of shares in issue ('000)			**95 336**		105 350

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed 31 March 2017 R'000	Audited 31 March 2016 R'000
Cash flows from operating activities	**3 337 138**	3 290 203
Cash generated by operations	**7 275 484**	6 475 861
Net finance costs	**(1 429 302)**	(1 084 040)
Changes in working capital	**(531 924)**	(469 345)
Taxation paid	**(970 155)**	(963 248)
Dividends paid	**(1 006 965)**	(669 025)
Cash flows from investing activities	**(3 202 455)**	(3 297 342)
Business combinations and disposals	**230 635**	27 323
Investments acquired	**(1 592 425)**	(483 599)
Dividends received	**63 387**	64 205
Decrease (increase) in loans and receivables	**359 869**	(326 629)
Intangible assets		
– Additions	**(32 788)**	(56 023)
– Disposals	**–**	855
Investment properties		
– Additions	**(617 768)**	(503 654)
– Disposals	**166 806**	34 271
Property, plant and equipment		
– Additions	**(1 854 710)**	(2 152 413)
– Disposals	**74 539**	98 322
Cash flows from financing activities	**1 060 825**	(235 394)
Ordinary shares issued and treasury shares released	**8 078**	3 680
Ordinary shares repurchased	**(438 070)**	(35 766)
Other liabilities raised	**5 756**	8 677
Government grants received	**–**	16 395
Transactions with non-controlling shareholders	**(930 813)**	(2 483)
Net funding raised (repaid)	**2 415 874**	(225 897)
Increase (decrease) in cash and cash equivalents	**1 195 508**	(242 533)
Cash and cash equivalents		
At the beginning of the year	**520 432**	709 231
Foreign exchange differences	**(42 577)**	53 734
At the end of the year	**1 673 363**	520 432
Bank balances and deposits	**4 060 178**	3 539 658
Bank overdrafts	**(2 396 036)**	(3 058 696)
Cash in disposal groups held for sale	**9 221**	39 470
Cash and cash equivalents	**1 673 363**	520 432

SEGMENTAL ANALYSIS

	31 March 2017		31 March 2016*	
	Revenue R'000	**Net gaming win R'000**	Revenue R'000	Net gaming win R'000
Media and broadcasting	**2 582 733**	**–**	2 416 156	–
Non-casino gaming	**93 128**	**1 322 610**	77 974	1 162 298
Casino gaming and hotels	**5 655 041**	**7 483 135**	4 921 450	7 361 128
Transport	**1 682 964**	**–**	1 509 919	–
Vehicle component manufacture	**336 031**	**–**	296 575	–
Properties	**469 615**	**–**	262 255	–
Mining	**1 093 957**	**–**	817 497	–
Branded products and manufacturing	**2 914 157**	**–**	2 714 260	–
Other	**2 031**	**–**	2 125	–
Total	**14 829 657**	**8 805 745**	13 018 211	8 523 426

	EBITDA 31 March		Profit before tax 31 March	
	2017 R'000	2016* R'000	**2017 R'000**	2016* R'000
Media and broadcasting	**491 154**	435 536	**272 449**	220 684
Non-casino gaming	**441 409**	359 134	**279 393**	173 065
Casino gaming and hotels	**4 627 148**	4 217 235	**3 739 279**	2 499 137
Transport	**447 851**	376 014	**331 566**	268 286
Vehicle component manufacture	**22 200**	25 948	**3 645**	6 646
Properties	**225 234**	147 411	**265 257**	190 051
Mining	**244 452**	114 108	**142 212**	37 919
Branded products and manufacturing	**206 146**	169 925	**121 015**	95 032
Other	**(121 804)**	(96 395)	**(358 550)**	(236 940)
Total	**6 583 790**	5 748 916	**4 796 266**	3 253 880

	Headline earnings 31 March	
	2017 R'000	2016 R'000
Media and broadcasting	**97 773**	73 280
Non-casino gaming	**108 597**	77 513
Casino gaming and hotels	**898 083**	812 360
Information technology	**4 970**	15 902
Transport	**230 134**	185 952
Vehicle component manufacture	**3 117**	7 132
Beverages	**16 483**	8 671
Properties	**63 094**	45 497
Mining	**105 958**	27 931
Branded products and manufacturing	**37 947**	25 783
Other	**(260 146)**	(235 544)
Total	**1 306 010**	1 044 477

* *Restated*

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The results for the year ended 31 March 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the disclosure requirements of IAS 34, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the requirements of the South African Companies Act, 2008, and the Listings Requirements of the JSE Limited. The accounting policies applied by the group in the preparation of these condensed consolidated financial statements are consistent with those applied by the group in its consolidated financial statements for the year ended 31 March 2016. As required by the JSE Limited Listings Requirements, the group reports headline earnings in accordance with Circular 2/2015: Headline Earnings as issued by the South African Institute of Chartered Accountants.

These financial statements were prepared under the supervision of the financial director, Mr TG Govender, B.Compt (Hons).

CHANGE IN ACCOUNTING ESTIMATE

Non-casino gaming

The review of the useful life of gaming machines by the group's non-casino gaming operations resulted in an increase in the useful life used for depreciation purposes due to the use of gaming machines for longer than originally expected. The group revised the useful life of gaming machines from six years to seven years effective 1 April 2016. The effect of the change in the useful life of gaming machines on the depreciation expense for the current period is a decrease of R10 million and an expected decrease for future periods of R10 million per annum. Galaxy Bingo's site development costs were previously depreciated over the term of the initial lease but the estimated depreciation period has been amended to include guaranteed renewal options, limited to a 10-year total depreciation term. The effect of the change in the depreciation term for site development costs on the depreciation expense for the current year is a decrease of R8 million and an expected annual decrease for future periods of R7 million.

RESTATEMENT OF PRIOR YEAR RESULTS

The acquisition of a controlling interest in Betcoza on 1 December 2015 qualified as a business combination in terms of IFRS 3: Business Combinations. The results as at 31 March 2016 were determined based on all information available at the acquisition date ("provisional accounting"). The provisional accounting was adjusted in the current year for new information obtained within a time frame of 12 months after the acquisition date. These adjustments to the fair values determined in the provisional purchase price allocation are treated as adjustments to the comparative results as at 31 March 2016.

The comparative results are restated as follows:

Statement of financial position as at 31 March 2016:

Goodwill decreased by R0.9 million

Intangible assets increased by R2.9 million

Deferred tax liability increased by R0.6 million

Equity attributable to non-controlling interest increased by R1.3 million

Opening equity attributable to equity holders of the parent in the current year was unaffected.

DISCONTINUED OPERATIONS AND DISPOSAL GROUPS HELD FOR SALE

Beverages

The group disposed of its interest in the business operations of KWV Holdings, included in the beverages segment. The results of these operations are accordingly included in discontinued operations in the current and prior year.

Media and broadcasting and Other

The group's Australian-based subsidiary, HCI Investments Australia, was disposed of during the year and the results of its operations are accordingly included in discontinued operations in the current and prior year.

Information technology

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

Media and broadcasting

The board of eMedia Investments resolved to exit certain of its offshore and local non-core operations during the financial year ended 31 March 2015. Further local non-core operations have been reclassified to discontinued operations in the current year and the prior year results restated for these. The results of these operations, which are included in the media and broadcasting segment, are included in discontinued operations in the current and prior year. Assets of R54 million (31 March 2016: R145 million) and liabilities of R2 million (31 March 2016: R17 million) in disposal groups held for sale in the statement of financial position also relate to these non-core operations.

Non-casino gaming

Niveus Investments has contracted to dispose of certain non-core non-casino gaming interests, for which the results have been included in discontinued operations in the income statement in the current and prior year. Assets of R5 million and liabilities of R2 million have been included in disposal groups held for sale in the statement of financial position in the current year.

Casino gaming and hotels

The assets acquired by Tsogo Sun Holdings upon the acquisition of Hospitality Property Fund included properties held for sale and are consequently included in disposal group assets held for sale. The carrying value of these properties totalled R66 million at 31 March 2017.

Branded products and manufacturing

Property, plant and equipment to the value of R2 million is held as disposal group assets held for sale by Deneb Investments.

The results of discontinued operations were as follows:

	eMedia non-core operations Rm	HCI Investments Australia Rm	Syntell Rm	Niveus gaming assets Rm	KWV Holdings Rm
(Loss) profit after tax	(1)	28	11	(3)	180
Losses on disposal	(59)	(345)	(8)	–	(504)
Foreign currency translation reserves reclassified to profit and loss	104	149	–	–	–

DISPOSALS

The group disposed of the following businesses during the current year:

- The operational assets and liabilities of KWV Holdings, effective 1 October 2016, for proceeds of R1 180 million, of which R605 million is payable in the form of promissory notes due in intervals ending 1 October 2019.
- HCI Investments Australia (including Oceania Capital Partners), effective 16 August 2016, for proceeds of R325 million.
- Mars Holdings (including Syntell), effective 15 September 2016, for proceeds of R92 million. Contingent proceeds in the amount of R7 million was received subsequent to disposal, with the timing and amount in respect of further proceeds of a maximum of R12 million not determinable as at the reporting date.
- Power Entertainment, effective 1 July 2016, for proceeds of US$0.6 million and Shibula Lodge and TVPC Media, effective 13 July 2016, for proceeds of R5.4 million.

The following are the assets and liabilities disposed of:

	Rm
Non-current assets	1 375
Current assets	1 990
Non-current liabilities	(133)
Current liabilities	(380)
Net assets disposed of	2 852
Non-controlling interest	(317)
Loss on disposal	(916)
Disposal proceeds	1 619
Disposal proceeds set off against repurchase consideration (HCI Australia)	(325)
Deferred disposal proceeds (KWV)	(605)
Cash balances disposed of	(280)
Net cash received	409

BUSINESS COMBINATIONS

Casino gaming and hotels

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

The acquired business contributed incremental revenues of R299 million and profit after tax of R1 086 million to the group for the period from date of control to 31 March 2017, including fair value adjustments to investment property. Had the acquisition occurred on 1 April 2016 group income would have increased by an additional R128 million and profit after tax (including exceptional items recognised during the HPF capital restructure) would have increased by R297 million. The assets and liabilities acquired, for which the final fair values have been determined, are as follows:

	Rm
Investment properties	4 185
Property, plant and equipment	742
Other non-current assets	6
Other current assets	237
Borrowings	(1 725)
Other current liabilities	(221)
Net assets acquired	3 224
Non-controlling interest on acquisition	(1 592)
Purchase consideration in the form of hotel assets	(1 321)
Existing interest at fair value	(298)
Gain on bargain purchase	13

Tsogo Sun Holdings concluded agreements to acquire two hotel businesses, the Garden Court Umhlanga and the StayEasy Pietermaritzburg. The effective date was 1 October 2016. The acquired businesses were previously managed by the group.

The acquired businesses contributed incremental revenues of R52 million and profit after tax of R7 million to the group for the period from acquisition to 31 March 2017. Had the acquisitions occurred on 1 April 2016 group income would have increased by an additional R51 million and profit after tax would have increased by an additional R11 million. The fair value of net assets acquired, for which the purchase price allocation is final, is as follows:

	Rm
Property, plant and equipment	379
Other current assets	4
Other current liabilities	(4)
Net assets acquired	379
Purchase consideration	(310)
Gain on bargain purchase	69

Branded products and manufacturing
Effective 31 May 2016 the group acquired 100% of the shares in Premier Rainwater Goods for a cash consideration of R78 million. Goodwill of R9 million arose on acquisition, for which the purchase price allocation is final. The acquired business contributed incremental revenues of R91 million and profit after tax of R11 million to the group for the period from date of control to 31 March 2017. Had the acquisition occurred on 1 April 2016 group income would have increased by an additional R25 million and profit after tax would have increased by R2 million.

Media and broadcasting
The group acquired 100% of the shares in Waterfront Film Studios effective 1 July 2016. The purchase consideration is R7.5 million, of which R3.8 million was dependent on further conditions and remains deferred at reporting date. The purchase price allocation is final and goodwill of R3.8 million was recognised upon acquisition.

Transport
The group acquired 76% of the shares in Eljosa Travel and Tours effective 1 October 2016. The purchase consideration was R8.4 million, paid in cash. The purchase price allocation is final and goodwill of R4.8 million and a non-controlling interest of R1.1 million was recognised upon acquisition.

RESULTS

GROUP INCOME STATEMENT AND SEGMENTAL ANALYSIS

Media and broadcasting
Revenue in respect of media and broadcasting includes only revenue from eMedia as revenue from Sunshine Coast Radio in Australia is included in discontinued operations. eMedia recorded an increase in revenue of 7% against the backdrop of a 6% increase in advertising revenue and 15% increase in property and facility revenue. New scheduling and programming during 2016 have led to the regaining of lost market share, with increased advertising revenue following in this year. Subscription revenue remained stable. EBITDA increased by 13% and is all attributable to eMedia. The increase in EBITDA is mainly attributable to the increase in advertising revenue and foreign exchange gains of R31 million included in cost of sales, off-set slightly by a bad debt write-off of R20 million. EBITDA includes losses of R307 million in respect of the multichannel and OVHD businesses. The increase in profit before tax was mostly due to factors noted above and also to impairments in the current year reducing to R32 million, from R59 million in the prior year.

Non-casino gaming
Net gaming win from non-casino gaming increased by 14%. The number of active limited payout machines in Vukani have increased to 5 603 and average GGR per machine to R20 352 during the year. The number of electronic bingo terminals increased by 708 to 2 350 during the year. EBITDA increased 23%, with gains of R41 million in Vukani assisted by gains of R42 million in other gaming. Due to overheads being kept stable, profit before tax showed a 61% improvement following the increase in EBITDA.

Casino gaming and hotels
Revenue, excluding net gaming win, increased by 15%, significantly as a result of an 11% increase in rooms revenue and 235% increase in property rental income following the acquisition of HPF. Net gaming win increased by 1.7%, with Gold Reef Casino recording an increase of 6% and the rest of the major casinos recording stable net gaming win. EBITDA increased following an increase in earnings before interest, tax, depreciation, amortisation and rentals of R439 million in the South African hotels division, significantly as a result of the HPF acquisition. Profit before tax increased by 50%. The current year result includes gains on bargain purchases of R82 million relating to the acquisition of HPF, Garden Court Umhlanga and StayEasy Pietermaritzburg; recycled remeasurement of available-for-sale financial instruments of R46 million relating to the shares held in HPF prior to the

business combination; a R36 million gain on sale of investment property; and impairments of R11 million. Furthermore, a R757 million fair value adjustment was recognised on HPF-related properties. Headline earnings includes the effect of the group's dilution of its stake in Tsogo Sun in August 2016.

Information technology

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

Transport

Golden Arrow Bus Services ("GABS") managed to increase revenue by 12%, subsequent to a subsidy increase in excess of previous escalations and new routes having generated additional revenue. EBITDA increased by 19% following the increase in revenue. In addition, savings achieved on supplies and services resulted in a lower increase in costs than that of revenue. Transport remains the group's second-largest contributor to headline earnings, with gains in profit before tax not significantly affected by exceptional items reversed for headline earnings.

Vehicle component manufacture

The increase in vehicle component manufacture revenue of R39 million related significantly to tooling sales, in anticipation of new manufacturing contracts. The increase in revenue unfortunately yielded little increase in EBITDA due to tooling sales to manufacturers attracting very low margins and, consequently, increased overheads resulted in reduced EBITDA. These sales will, however, generate future revenue and profit once the constructed production lines have started operations. The profit before tax decrease was in line with the EBITDA reduction.

Beverages

The results of KWV have been classified as discontinued operations in the prior and current year following the disposal of its operational assets and liabilities in October 2016.

Properties

Properties' revenue increased by 79% due to additional revenue from the exhibition business at Gallagher Estate; new development revenue for Olympus Village Mall, Shell House, The Palms, Monte Circle and Rand Daily Mail House; and annual escalations in Kalahari Village Mall, The Point and Gallagher Estate. Profit before tax includes effective fair value adjustments on investment properties of R170 million, R98 million recognised in respect of Kalahari Village Mall, R57 million in respect of Gallagher Estate and an effective R15 million recognised on consolidated level in respect of Protea Place. Headline earnings exclude these fair value adjustments and also earnings attributable to non-controlling interests.

Mining

Increased revenue was recorded at the Palesa and Mbali Collieries. Sales volumes at the Palesa Colliery increased by 15% following reduced stockpile failures during the year when compared to the prior year and improved efficiencies in production. Sales volumes at the Mbali Colliery increased by 35%. In addition, export sales prices achieved at the Mbali Colliery were 48% higher than the prior year. EBITDA increased by 114%, significantly as a result of the coal quality issues encountered at Palesa Colliery during the prior year not recurring and also the significant increases in sales volumes at both collieries. In addition, gross profit margins at the Mbali Colliery increased from 32% to 48% following increased export sales prices. R90 million of the increase in profit before tax is attributable to the Mbali Colliery.

Branded products and manufacturing

Deneb increased revenue by 7%, with growth attributable to their industrial operations and in particular the first-time recognition of revenue from Premier Rainwater Goods. Gross profit margins have improved across most of Deneb's businesses, resulting in a higher EBITDA increase as compared to revenue. Profit before tax includes fair value adjustments on investment properties of R30 million (2016: R30 million).

Other

EBITDA losses from other increased following a share-based payment charge in respect of cash-settled options of certain directors of Niveus and the receipt of a raising fee from the Ithuba funding arrangements in the prior period not recurring. Losses before tax includes this share-based payment charge and head office finance costs of R201 million. Included in the current year is also R40 million investment income in respect of the Ithuba funding arrangements and R126 million in equity-accounted losses from associates, of which R96 million is the group's effective share of an impairment of a prospecting licence in Gabon which was relinquished by Impact Oil and Gas ("IOG"). The remainder consists of head office overheads of HCI and Niveus. Headline earnings includes R20 million headline profit from HCI Australia (non-media).

Notable items on the consolidated income statement include:

Finance costs increased following head office finance costs increasing by R36 million, Tsogo Sun finance costs by R175 million and HCI Properties finance costs by R54 million.

The gains on bargain purchases of R82 million relate to the acquisition of HPF, Garden Court Umhlanga and StayEasy Pietermaritzburg.

Investment surpluses recognised were in respect of the recycled fair value reserves relating to shares held in HPF prior to the business combination (R46 million), a R36 million gain on sale of investment property by Tsogo Sun and a R6 million gain on disposal of VBet Western Cape.

Fair value adjustments of investment properties consist of R757 million in respect of HPF properties, R155 million in respect of HCI Properties' retail and office buildings and R30 million recognised by Deneb on industrial properties.

Headline earnings per share increased by 38.1% with gross headline earnings increasing 25.0%. The weighted average number of shares in issue in the prior period of 104 167 000 was reduced to 94 282 000 in the current year mainly due to 16 140 000 shares being repurchased during August 2016, which resulted in the disparity between the gross and per share profit increase.

GROUP STATEMENT OF FINANCIAL POSITION AND CASH FLOW

Group long-term borrowings at 31 March 2017 comprise central borrowings of R1 750 million, central investment property-related borrowings of R1 289 million, borrowings in Tsogo Sun of R9 439 million and the remainder in other operating subsidiaries. Included in the current portion of borrowings is R711 million owing to SACTWU, being part of their proportionate non-controlling share in eMedia Holdings, R280 million central borrowings and R3 399 million in short-term borrowings in Tsogo Sun. Current central borrowings of R200 million is expected to be refinanced into longer term borrowings in due course. Bank overdraft facilities include R1 699 million in Tsogo Sun.

Included in cash flow from investing activities is R392 million received by the group as part of the premature repayment of funding advanced to Ithuba Holdings, the current operator of the National Lottery, and R1 272 million paid for the 20% interest acquired in SunWest and the Worcester Casino. Property, plant and equipment of R1 855 million was acquired during the year. Included in cash flow from financing activities is net funding raised during the year of R2 416 million. Transactions with non-controlling shareholders totalling R931 million include the repurchase of its shares by Deneb Investments in the amount of R269 million and the acquisition of non-controlling interests' shares in Cullinan and Mykonos Casino by Tsogo Sun.

Shareholders are referred to the individually published results of eMedia Holdings Limited, Tsogo Sun Holdings Limited, Niveus Investments Limited and Deneb Investments Limited for further commentary on the media and broadcasting, casino gaming and hotels, non-casino gaming, beverages, and branded products and manufacturing operations.

COMMENTARY

Headline earnings of the group for the year increased by 25%. In an economy that is barely growing nominally this is an extraordinarily good result. More so when one takes account of the fact that the company bought back 15% of its own equity during the year and accordingly the headline earnings per share is further enhanced thereby.

We noted Tsogo Sun's results at the half-year were relatively flat. In its full-year results increases in its trading expenses were limited to approximately 5% while the growth in its revenue was stronger at 7%. The effect is that EBITDA and all lines below that in the income statement reflect double-digit increases, which is a good outcome for 2017. Tsogo Sun is currently bulking up the Hospitality Property Fund by reversing several hotel properties of the group into it. In time this fund will become a very significant property owner which we believe will allow the market to establish a fair value for Tsogo Sun's properties, which we believe have been undervalued by it to date.

Profitability is steadily returning to the business of eMedia as it moves beyond the discontinued businesses that we have either closed or disposed of over the last year or two. More significantly, it has made good progress in rolling out its satellite platform. Developing its digital platform is central to developing the company's multichannel offering in which it has invested enormous amounts of money relative to its own size. We currently have approximately 840 000 boxes rolled out and OVHD looks set to reach over a million homes in the next six months or so. As anticipated at half-year, this allows us to get daily ratings for all our channels going forward.

We have now also concluded a five-year extension of our exclusive broadcast of eNCA on DSTV as well as the non-exclusive broadcast on DSTV of several new channels we operate. Effectively, this allows OVHD channels to be aired to both OVHD and DSTV audiences, some 50% of all television households. We believe this will allow advertising on these channels to gain much faster traction over the next few years and this should steadily expand as the channels become more mature and OVHD is rolled out more extensively.

Our coal mining division had its best year to date with headline earnings exceeding R100 million for the year for the first time. Subsequent to year-end we had a most tragic accident in which an employee was fatally injured. This obviously significantly dampened our elation at the results of our year's work. We have done our best to express our condolences to the family of the deceased and to ensure they are appropriately compensated financially but it certainly does emphasise the danger of the work done on the mine despite our many efforts to ensure a safe working environment.

We commented on our transport division, property division, non-casino gaming sector and Deneb's business, beyond property, outperforming our expectations at half-year. We are really pleased with the fact that GABS succeeded in lifting its headline earnings an additional 24% above last year for the full year. The property division lifted its earnings by 39% year on year, non-casino gaming grew headline earnings by some 40% and branded products and manufacturing by 47%, all of which are exemplary results.

HCI has increased its interest in IOG from just under 20% to close to a third of the company, following a rights issue. It remains a speculative investment but it has made some progress through the year in meeting its prospecting obligations to do seismic studies on marine areas in its ambit as well as securing the unconditional farming out of its reserve in Senegal. Key to its future is the South African Government finalising amendments to the Mineral and Petroleum Resources Development Act. These remain locked in a slow process through parliament but we hope to be able to report real progress in this regard in our next financial year's interim results.

AUDITOR'S REVIEW

These condensed consolidated financial statements for the year ended 31 March 2017 have been reviewed by Grant Thornton Johannesburg Partnership, who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the company's registered office together with the financial statements identified in the auditor's report.

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.

CHANGES IN DIRECTORATE

Mr Mohamed Gani was appointed as independent non-executive director and chairman of the audit committee with effect from 30 August 2016. Ms Ngiphiwe Mhlangu was appointed as non-executive director with effect from 23 March 2017.

DIVIDEND TO SHAREHOLDERS

The directors of HCI have resolved to declare a final ordinary dividend number 55 of 170 cents (gross) per HCI share for the year ended 31 March 2017 from income reserves. The salient dates for the payment of the dividend are as follows:

Last day to trade cum dividend
Tuesday, 20 June 2017

Commence trading ex dividend
Wednesday, 21 June 2017

Record date
Friday, 23 June 2017

Payment date
Monday, 26 June 2017

No share certificates may be dematerialised or rematerialised between Wednesday, 21 June 2017 and Friday, 23 June 2017, both dates inclusive.

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

- The local DT rate is 20%.
- The number of ordinary shares in issue at the date of this declaration is 92 814 648.
- The DT amounts to 34 cents per share.
- The net local dividend amount is 136 cents per share for all shareholders who are not exempt from the DT.
- Hosken Consolidated Investments Limited's income tax reference number is 9050/177/71/7.

For and on behalf of the board of directors

JA Copelyn
Chief Executive Officer

TG Govender
Financial Director

Cape Town
24 May 2017

Hosken Consolidated Investments Limited

www.hci.co.za