HCI

Hosken Consolidated Investments Limited

REVIEWED PROVISIONAL CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 MARCH 2018

INCOME	+3.0%
EBITDA	-3.8%
HEADLINE EARNINGS	-10.9%
HEADLINE EARNINGS PER SHARE	-5.0%

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:
Suite 801, 76 Regent Road, Sea Point,
Cape Town, 8005
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

Hosken Passenger Logistics & Rail

Business Systems Group (Africa)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed 31 March 2018 R'000	Audited 31 March 2017 R'000
ASSETS		
Non-current assets	**61 902 246**	61 845 515
Property, plant and equipment	**24 913 188**	25 127 835
Investment properties	**9 587 532**	8 510 174
Goodwill	**4 700 758**	4 785 158
Interest in associates and joint ventures	**1 719 947**	1 454 782
Other financial assets	**1 324 206**	1 275 663
Intangibles	**18 691 786**	19 605 686
Deferred taxation	**487 352**	379 252
Operating lease equalisation asset	**96 628**	80 393
Long-term receivables	**380 849**	626 572
Current assets	**8 090 494**	8 563 616
Inventories	**939 711**	955 733
Programme rights	**870 674**	866 244
Other financial assets	**18 317**	38 333
Trade and other receivables	**2 478 554**	2 541 697
Taxation	**59 433**	101 431
Bank balances and deposits	**3 723 805**	4 060 178
Disposal group assets held for sale	**329 473**	126 632
Total assets	**70 322 213**	70 535 763
EQUITY AND LIABILITIES		
Equity	**35 661 005**	36 119 875
Equity attributable to equity holders of the parent	**15 273 850**	15 755 603
Non-controlling interest	**20 387 155**	20 364 272
Non-current liabilities	**24 864 963**	22 868 060
Deferred taxation	**7 595 270**	8 081 558
Long-term borrowings	**16 275 305**	13 999 138
Operating lease equalisation liability	**242 094**	254 740
Provisions	**249 247**	278 496
Other	**503 047**	254 128
Current liabilities	**9 691 070**	11 543 748
Trade and other payables	**3 036 220**	3 210 411
Current portion of borrowings	**3 857 154**	5 194 588
Taxation	**171 331**	124 115
Provisions	**394 672**	335 905
Bank overdrafts	**2 033 702**	2 396 036
Other	**197 991**	282 693
Disposal group liabilities held for sale	**105 175**	4 080
Total equity and liabilities	**70 322 213**	70 535 763
Net asset carrying value per share (cents)	**17 785**	17 897

CONDENSED CONSOLIDATED INCOME STATEMENT

	% change	Reviewed 31 March 2018 R'000	Audited 31 March 2017* R'000
Revenue		**14 960 540**	14 310 035
Net gaming win		**8 841 724**	8 805 745
Income	3.0%	**23 802 264**	23 115 780
Expenses		**(17 516 637)**	(16 580 970)
EBITDA	(3.8%)	**6 285 627**	6 534 810
Depreciation and amortisation		**(1 397 887)**	(1 377 634)
Operating profit		**4 887 740**	5 157 176
Investment income		**304 490**	266 792
Finance costs		**(1 797 766)**	(1 606 475)
Share of profits/(losses) of associates and joint ventures		**102 967**	(74 752)
Gain on bargain purchase		**–**	81 764
Investment surplus		**134 030**	88 663
Fair value adjustments of investment properties		**(72 604)**	941 655
Impairment reversals		**40 653**	–
Asset impairments		**(951 938)**	(25 134)
Fair value adjustments of financial instruments		**(23 690)**	–
Impairment of goodwill and investments		**(103 897)**	(33 159)
Profit before taxation	(47.5%)	**2 519 985**	4 796 530
Taxation		**(441 132)**	(1 066 537)
Profit for the year from continuing operations		**2 078 853**	3 729 993
Discontinued operations		**(102 470)**	(455 516)
Profit for the year		**1 976 383**	3 274 477
Attributable to:			
Equity holders of the parent		**939 749**	1 237 909
Non-controlling interest		**1 036 634**	2 036 568
		1 976 383	3 274 477

* *Restated*

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Reviewed 31 March 2018 R'000	Audited 31 March 2017 R'000
Profit for the year	**1 976 383**	3 274 477
Other comprehensive income:		
Items that may subsequently be reclassified to profit or loss		
Foreign currency translation differences	**(192 785)**	(230 431)
Reclassification of foreign currency differences on disposal	**(1 448)**	(253 799)
Cash flow hedge reserve	**(54 906)**	(92 005)
Available-for-sale financial asset revaluations	**3 401**	(10 879)
Items that may not subsequently be reclassified to profit or loss		
Revaluation of land and buildings	**42 413**	–
Actuarial gains on post-employment benefit liability	**11 073**	580
Total comprehensive income	**1 784 131**	2 687 943
Attributable to:		
Equity holders of the parent	**803 795**	805 310
Non-controlling interest	**980 336**	1 882 633
	1 784 131	2 687 943

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reviewed 31 March 2018 R'000	Audited 31 March 2017 R'000
Balance at the beginning of the year	**36 119 875**	32 928 450
Share capital and premium		
Treasury shares released	**32 179**	18 571
Shares repurchased	**(377 261)**	(1 727 194)
Current operations		
Total comprehensive income	**1 784 131**	2 687 943
Equity-settled share-based payments	**13 509**	13 084
Acquisition of subsidiaries	**1 536**	2 914 131
Disposal of subsidiaries	**7 688**	(319 422)
Effects of changes in holding	**(770 728)**	478 583
Dividends	**(1 149 924)**	(874 271)
Balance at the end of the year	**35 661 005**	36 119 875

RECONCILIATION OF HEADLINE EARNINGS

	% change	Reviewed year ended 31 March 2018 Gross R'000	Reviewed year ended 31 March 2018 Net R'000	Audited year ended 31 March 2017 Gross R'000	Audited year ended 31 March 2017 Net R'000
Earnings attributable to equity holders of the parent	(24.1%)		939 749		1 237 909
Gain on bargain purchase		–	–	(81 764)	(35 463)
Impairment of goodwill		31 299	13 415	3 958	1 552
Loss on disposal of business assets		–	–	503 629	113 178
Gains on disposal of property		(63 600)	(49 354)	–	–
Losses on disposal of plant and equipment		2 910	2 450	5 660	1 575
Impairment of property, plant and equipment		111 124	47 024	7 655	1 788
Foreign currency translation reserve recycled		(1 448)	(686)	(253 799)	(216 292)
Losses from disposal/part disposal of subsidiary		13 704	7 633	405 186	391 839
Impairment of associates and joint arrangements		72 598	31 237	29 286	11 989
Reversal of impairment of assets		(77)	(46)	–	–
Profits on disposal of intangible assets		(70 430)	(55 370)	–	–
Impairment of intangible assets		831 028	286 374	8 281	2 639
Recycle of fair value reserves relating to available-for-sale financial instruments		–	–	(46 250)	(20 060)
Profits on disposal of investment property		–	–	(36 339)	(7 973)
Fair value adjustment to investment property		72 604	(2 820)	(941 655)	(258 748)
Impairment of non-current assets held for sale		1 307	617	–	–
Insurance claim for capital assets		(30)	(18)	–	–
Remeasurements included in equity-accounted earnings of associates and joint arrangements		(60 371)	(56 663)	82 992	82 077
Headline profit	(10.9%)		1 163 542		1 306 010
Basic earnings per share (cents)					
Earnings	(19.0%)		1 062.91		1 312.99
Continuing operations			1 151.47		1 593.47
Discontinued operations			(88.56)		(280.48)
Headline earnings	(5.0%)		1 316.04		1 385.22
Continuing operations			1 388.88		1 357.29
Discontinued operations			(72.84)		27.93
Weighted average number of shares in issue ('000)			88 412		94 282
Actual number of shares in issue at the end of the year (net of treasury shares) ('000)			85 882		88 034
Diluted earnings per share (cents)					
Earnings	(18.7%)		1 056.23		1 298.47
Continuing operations			1 144.24		1 575.85
Discontinued operations			(88.01)		(277.38)
Headline earnings	(4.5%)		1 307.76		1 369.90
Continuing operations			1 380.14		1 342.28
Discontinued operations			(72.38)		27.62
Weighted average number of shares in issue ('000)			88 972		95 336

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed 31 March 2018 R'000	Audited 31 March 2017 R'000
Cash flows from operating activities	**2 842 768**	3 337 138
Cash generated by operations	**6 795 004**	7 275 484
Net finance costs	**(1 596 864)**	(1 429 302)
Changes in working capital	**(237 466)**	(531 924)
Taxation paid	**(968 276)**	(970 155)
Dividends paid	**(1 149 630)**	(1 006 965)
Cash flows from investing activities	**(2 773 743)**	(3 202 455)
Business combinations and disposals	**(109 923)**	230 635
Investments acquired	**(425 581)**	(1 592 425)
Dividends received	**116 156**	63 387
Decrease in loans and receivables	**69 944**	359 869
Intangible assets		
– Additions	**(59 744)**	(32 788)
– Disposals	**85 004**	–
Investment properties		
– Additions	**(924 105)**	(617 768)
– Disposals	**27 811**	166 806
Property, plant and equipment		
– Additions	**(1 681 145)**	(1 854 710)
– Disposals	**127 840**	74 539
Cash flows from financing activities	**(11 176)**	1 060 825
Ordinary shares issued and treasury shares released	**26 616**	8 078
Ordinary shares repurchased	**(377 261)**	(438 070)
Other liabilities raised	**908**	5 756
Transactions with non-controlling shareholders	**(748 810)**	(930 813)
Net funding raised	**1 087 371**	2 415 874
Increase in cash and cash equivalents	**57 849**	1 195 508
Cash and cash equivalents		
At the beginning of the year	**1 673 363**	520 432
Foreign exchange differences	**(9 713)**	(42 577)
At the end of the year	**1 721 499**	1 673 363
Bank balances and deposits	**3 723 805**	4 060 178
Bank overdrafts	**(2 033 702)**	(2 396 036)
Cash in disposal groups held for sale	**31 396**	9 221
Cash and cash equivalents	**1 721 499**	1 673 363

SEGMENTAL ANALYSIS

	31 March 2018 Revenue R'000	31 March 2018 Net gaming win R'000	31 March 2017* Revenue R'000	31 March 2017* Net gaming win R'000
Media and broadcasting	**2 196 250**	**–**	2 303 112	–
Gaming and hotels**	**6 067 285**	**8 841 724**	5 748 169	8 805 745
Transport	**1 808 472**	**–**	1 682 964	–
Properties	**503 354**	**–**	469 615	–
Mining	**1 202 161**	**–**	1 093 957	–
Branded products and manufacturing***	**3 158 125**	**–**	3 010 187	–
Other	**24 893**	**–**	2 031	–
Total	**14 960 540**	**8 841 724**	14 310 035	8 805 745

	EBITDA 31 March 2018 R'000	EBITDA 31 March 2017* R'000	Profit before tax 31 March 2018 R'000	Profit before tax 31 March 2017* R'000
Media and broadcasting	**195 876**	428 075	**(21 278)**	248 790
Gaming and hotels**	**5 057 644**	5 068 557	**1 967 850**	4 018 672
Transport	**462 135**	447 851	**333 832**	331 566
Properties	**246 175**	225 234	**126 307**	265 257
Mining	**311 517**	244 452	**361 722**	142 212
Branded products and manufacturing***	**95 420**	242 445	**(596)**	148 583
Other	**(83 140)**	(121 804)	**(247 852)**	(358 550)
Total	**6 285 627**	6 534 810	**2 519 985**	4 796 530

	Headline earnings 31 March 2018 R'000	Headline earnings 31 March 2017 R'000
Media and broadcasting	**16 519**	97 773
Gaming and hotels**	**1 028 882**	1 006 680
Information technology	**–**	4 970
Transport	**224 839**	230 134
Beverages	**–**	16 483
Properties	**64 850**	63 094
Mining	**168 791**	105 958
Branded products and manufacturing***	**(19 949)**	41 064
Other	**(320 390)**	(260 146)
Total	**1 163 542**	1 306 010

* *Restated*

** *Non-casino gaming operations' results reclassified to the gaming and hotels segment in the current and prior year*

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

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The results for the year ended 31 March 2018 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 2017. As required by the JSE Limited Listings Requirements, the group reports headline earnings in accordance with Circular 2/2015: Headline Earnings as issued by the South African Institute of Chartered Accountants.

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

DISCONTINUED OPERATIONS AND DISPOSAL GROUPS HELD FOR SALE

Media and broadcasting

The board of eMedia Investments resolved to exit certain of its offshore and local non-core operations during the financial year 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 R263 million (31 March 2017: R54 million) and liabilities of R105 million (31 March 2017: R2 million) in disposal groups held for sale in the statement of financial position relate to these non-core operations.

Branded products and manufacturing

Deneb Investments resolved to rationalise the operations of Bergriver Textiles, all but the Gauteng-based business of Seartec and its branded sporting goods' international activities during the year. The results of these operations, which are included in the branded products and manufacturing segment, have been reclassified to discontinued operations in the current year and the prior year results restated for these.

Property, plant and equipment to the value of R1 million is held as disposal group assets held for sale.

Other

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

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 2018.

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

	eMedia non-core operations	Niveus gaming assets	Deneb textiles, automation and branded goods operations
Losses after tax	(13)	(8)	(81)

Beverages

The group disposed of its interest in the business operations of La Concorde (previously KWV Holdings), included in the beverages segment in the prior year. The results of these operations were accordingly included in discontinued operations in the prior year.

Media and broadcasting and Other

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

Information technology

During the prior year the group disposed of its information technology operations (Syntell). The results of these operations were included in discontinued operations in the prior year in the income statement.

DISPOSALS

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

- Jacaranda Royal Casino, VSlots Lesotho and VSlots Swaziland, effective June 2017, for an aggregate consideration of R24 million and at an aggregate loss of R18 million.
- Lalela Music and etv Botswana, effective June and September 2017, respectively, for total proceeds of R6 million, at an aggregate gain of R5 million.

BUSINESS COMBINATIONS

Branded products and manufacturing

Effective 31 December 2017 the group acquired 100% and 60% of the shares in New Just Fun Group and Oops Global SA, respectively, for a total consideration of R100 million. Goodwill of R35 million arose on acquisition, for which the purchase price allocation is provisional. New Just Fun Group is a local distributor of toys from leading toy brands. Oops Global SA is a company based in Switzerland, which specialises in the design, conception and sale of toys for children from birth to the age of five.

RESULTS

GROUP INCOME STATEMENT AND SEGMENTAL ANALYSIS

- Revenue increased by 3.0% to R23 802 million
- EBITDA decreased by 3.8% to R6 286 million
- Profit before tax decreased by 47.5% to R2 520 million
- Headline earnings decreased by 10.9% to R1 164 million
- Headline earnings per share from continuing operations increased by 2.3% to 1 389 cents per share

Media and broadcasting

Revenue in respect of media and broadcasting includes only revenue from eMedia in the current and prior years as revenue from Sunshine Coast Radio in Australia is included in discontinued operations in the prior year. eMedia recorded a decrease in revenue of 5% against the backdrop of a 27% decrease in licence revenue, for eNCA and the five channels provided to DSTV combined, due to the implementation of the new licence agreement. A 5% increase in advertising revenue was recorded in a difficult television advertising environment. Property and facility and content revenue decreased by a combined 15%. EBITDA contributed decreased by 54% and is all attributable to eMedia. R55 million was expensed in respect of the SES-5 satellite contract, which will not recur, and R68 million in programming rights were written off. The decrease in EBITDA is further attributable to the decrease in subscription revenue and a R24 million reduction in foreign exchange gains on foreign creditors. Profit before tax decreased by R270 million following impairments of goodwill and investments in associates of R95 million.

Gaming and hotels

The bingo and limited payout operations of Niveus Investments were acquired by Tsogo Sun effective end of November 2017. Due to this amalgamation of the group's gaming operations, the results of Niveus Investments' previously held bingo and limited payout operations have been incorporated into those of Tsogo Sun in the gaming and hotels segment for the current and prior years.

Revenue in respect of gaming and hotels increased by 6%. Overall net gaming win was stagnant, with casino gaming win decreasing by 2%. SA hotel revenue grew by 8%, aided by additional revenue from Hospitality Property Fund following its inclusion for an additional five months in the current year. Significant decreases in revenue were recorded in Montecasino (2.5%), and Silverstar (6.7%), impacted by the opening of Time Square casino in Menlyn and the general weak trading environment. EBITDA decreased by 0.2%, with reduced profits in casino gaming largely off-set by an increase in SA hotels and alternative gaming. Profit before tax decreased by 51%. Included in the prior year results were certain positive non-recurring items totalling R910 million and detailed in the prior year results. In the current year the group recognised impairment charges on the carrying values of casino licences and properties recognised upon the acquisition of Tsogo Sun in August 2014. The casino licences were valued at R19 billion at that time, as compared to a carrying value of R4 billion by Tsogo Sun. The weak economic environment in certain areas where the group's casino licences are situated necessitated the reassessment of forecasts and the consequent valuations performed at the time of the acquisition, resulting in these impairments. The total impairment amount is R823 million in respect of casino licences in Mbombela (Emnotweni), Emalahleni (The Ridge), East London (Hemingways), Welkom (Goldfields) and Newcastle (Blackrock). The group further recognised R98 million in impairments of property, plant and equipment, significantly in respect of items demolished at Suncoast casino and building shells at The Ridge casino in Emalahleni. A downward revaluation of investment properties in the amount of R191 million related to HPF investment properties. Contribution to headline earnings increased by 2% to R1 029 million, including the group's limited payout and bingo operations. This includes an effective share of a deferred tax liability reversal following the sale of certain hotel properties to HPF. Excluding the effect of this reversal, it results in a decrease in contribution to headline earnings of approximately 11%.

Net gaming win from Vukani increased by 7% and other alternative gaming by 25% in the current year. The number of active machines in Vukani has increased by 6% to 5 894 and average GGR per machine by 8% to R22 167. The number of electronic bingo terminals increased by 15% to 2 900 during the period.

Transport

Golden Arrow Bus Services ("GABS"), part of the newly established and recently listed Hosken Passenger Logistics and Rail Group ("HPL&R"), managed to increase revenue by 8%, aided by a subsidy increase and the Metro Rail inefficiencies experienced during January to March of 2018. EBITDA increased by 3% only, significantly impacted by higher bus driver overtime wage rates. Certain provisions in respect of staff remuneration were reversed in the current year, off-setting the higher wages. Headline earnings in respect of GABS decreased by 2%, following the effect of the 27% non-controlling interest arising on the restructure of the group's interest in GABS.

Properties

Properties' revenue increased by 7% due to new development revenue from Whale Coast Village Mall, The Palms, the Makro PE premises and Shell House, with annual escalations in the rest of the portfolio off-set slightly by a reduction in revenue in the Gallagher Estate exhibition business. EBITDA increased by 9%, in line with the increase in revenue. EBITDA gains were somewhat off-set by an increase in finance charges of R23 million, originating from increased facilities in respect of the Monte Circle precinct, The Palms and The Point. Headline earnings increased by a reduced margin of 3% due to the decrease in earnings in the Gallagher Estate exhibition business and excludes fair value adjustments on investment properties of R28 million, as included in profit before tax.

Mining

Increased revenue was recorded at the Palesa (1%) and Mbali (24%) Collieries. Sales volumes at the Palesa Colliery decreased by 1% following an extended closure in April due to a fatality. In addition, mining contractor inefficiencies resulted in a reduction of 6% in run of mine volumes. Management have addressed these inefficiencies subsequent to the reporting date. Sales volumes at the Mbali Colliery increased by 11%. In addition, export sales prices achieved at the Mbali Colliery were an average of 20% higher than the prior year. EBITDA increased by 27%, significantly as a result of increased export sales prices and an improvement in gross profit margins. R131 million of the increase in profit before tax is attributable to the profit on disposal of the Nokuhle mining rights and associated land and a decrease in depreciation following the full depreciation of the box cut at the Mbali Colliery in the prior year.

Branded products and manufacturing

Branded products and manufacturing increased revenue by 5%, with growth attributable to their industrials and branded products divisions. Revenue in Formex increased by 25% following additional tooling sales and new supply contracts in its pressings division. EBITDA decreased by 61%. Most business units faced reduced gross margins. Unplanned clearances in the branded products division followed disappointing trade ahead of the holiday season. Headline earnings includes the group's share of discontinued operations' losses of R81 million and its share of deferred tax income of R81 million. Impairments of R13 million are included in discontinued operations' losses and consequently excluded for headline earnings.

Other

EBITDA losses from other decreased by 32%, significantly as a result of a share-based payment charge in respect of cash-settled options to directors of Niveus in the prior year not recurring and rentals received by La Concorde (previously KWV Holdings) following the sale of its operational assets in the prior year. Losses before tax decreased compared to the prior year. The decrease in losses is significantly attributable to a decrease of R152 million in equity-accounted losses (to a profit of R29 million) from the group's 46% interest in Impact Oil and Gas, which entity's equity-accounted earnings in the current year includes an effective R54 million profit on part disposal of an exploration licence. Interest at head office increased by 5%. Included in the current year's losses is R35 million in equity-accounted profits from associates, head office finance costs, and head office and other overheads of the company, Niveus Investments and La Concorde. Headline earnings included R20 million profit from HCI Australia (non-media) and R40 million investment income for the Ithuba funding arrangements in the prior year, both of which are not included in the current year.

Notable items on the consolidated income statement include:

Finance costs increased following an increase in Tsogo Sun finance costs of R160 million and HCI Properties finance costs of R23 million.

Investment surpluses recognised were in respect of the mining rights and land of the Nokuhle property sold by HCI Coal.

Fair value adjustments of investment properties consist of R(191) million in respect of HPF properties, R75 million in respect of HCI Properties and other retail and office buildings, and R44 million recognised by Deneb Investments on industrial properties.

Impairment reversals of R41 million are in respect of working capital loans advanced to associate and joint venture investments of Tsogo Sun.

Asset impairments consist significantly of R823 million in respect of casino licences and R98 million in respect of casino and hotel properties, plant and equipment.

Impairment of goodwill and investments consist significantly of goodwill and investments in associates impaired by eMedia.

Headline earnings per share decreased by 5.0% with gross headline earnings decreasing 10.9%. The weighted average number of shares in issue in the prior year of 94 282 000 was reduced to 88 412 000 in the current year due to 16 million shares being repurchased during August 2016. The 2.7 million share repurchase transacted in the current year was only implemented in March 2018.

GROUP STATEMENT OF FINANCIAL POSITION AND CASH FLOW

Group long-term borrowings at 31 March 2018 comprise central borrowings of R784 million, central investment property-related borrowings of R1 782 million, borrowings in Tsogo Sun of R12 667 million and the remainder in other operating subsidiaries. Included in the current portion of borrowings is R1 666 million central borrowings and R941 million in short-term borrowings in Tsogo Sun. Current central borrowings of R1 500 million is expected to be refinanced into longer-term borrowings prior to the end of the new financial year. Bank overdraft facilities include R1 707 million in Tsogo Sun.

Included in cash flows from investing activities is net expenditure on investment properties of R896 million and R1 553 million on property, plant and equipment. Included in cash flows from financing activities is net funding raised during the year of R1 087 million. Transactions with non-controlling shareholders totalling R749 million include proceeds received in the rights issue concluded by HPF during the year and payments made by Tsogo Sun to non-controlling shareholders in respect of the bingo and limited payout gaming operations of Niveus Investments.

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

AUDITOR'S REVIEW

These condensed consolidated financial statements for the year ended 31 March 2018 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

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

DIVIDEND TO SHAREHOLDERS

The directors of HCI have resolved to declare a final ordinary dividend number 57 of 190 cents (gross) per HCI share for the year ended 31 March 2018 from income reserves. The salient dates for the payment of the dividend are as follows:

Last day to trade cum dividend
Tuesday, 19 June 2018

Commence trading ex dividend
Wednesday, 20 June 2018

Record date
Friday, 22 June 2018

Payment date
Monday, 25 June 2018

No share certificates may be dematerialised or rematerialised between Wednesday, 20 June 2018 and Friday, 22 June 2018, 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 38 cents per share.
- The net local dividend amount is 152 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
23 May 2018

www.hci.co.za

Hosken Consolidated Investments Limited