Hosken Consolidated Investments Limited

REVIEWED PROVISIONAL CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 MARCH 2019

INCOME	+5.4%
EBITDA	+3.8%
HEADLINE EARNINGS	-11.6%
HEADLINE EARNINGS PER SHARE	-8.8%

CORPORATE ADMINISTRATION

Directors:
JA Copelyn (Chief Executive Officer)
TG Govender (Financial Director)
Y Shaik
JR Nicolella
MSI Gani*
MF Magugu*
VE Mphande* (Chairman)
JG Ngcobo*
R Watson*
* Independent 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:
BDO South Africa Incorporated
Wanderers Office Park, 52 Corlett Drive, Illovo, 2196
Private Bag X60500, Houghton, 2041

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

Karoshoek

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 2019 R'000	Audited 31 March 2018* R'000
ASSETS		
Non-current assets	**63 692 254**	61 910 009
Property, plant and equipment	**25 693 836**	24 913 188
Investment properties	**10 053 377**	9 587 532
Goodwill	**4 744 030**	4 673 735
Interest in associates and joint arrangements	**2 469 742**	1 719 947
Other financial assets	**1 367 737**	1 324 206
Intangibles	**18 709 694**	18 726 572
Deferred taxation	**428 711**	487 352
Operating lease equalisation asset	**122 474**	96 628
Other	**102 653**	380 849
Current assets	**8 458 552**	8 090 494
Inventories	**995 207**	939 711
Programme rights	**792 611**	870 674
Other financial assets	**15 425**	18 317
Trade and other receivables	**2 386 424**	2 478 554
Taxation	**88 267**	59 433
Bank balances and deposits	**4 180 618**	3 723 805
Disposal group assets held for sale	**436 100**	329 473
Total assets	**72 586 906**	70 329 976
EQUITY AND LIABILITIES		
Equity	**35 333 734**	35 661 005
Equity attributable to equity holders of the parent	**16 162 393**	15 273 850
Non-controlling interest	**19 171 341**	20 387 155
Non-current liabilities	**25 441 006**	24 872 726
Deferred taxation	**7 762 592**	7 603 033
Long-term borrowings	**16 788 127**	16 275 305
Operating lease equalisation liability	**233 175**	242 094
Provisions	**265 327**	249 247
Other	**391 785**	503 047
Current liabilities	**11 655 863**	9 691 070
Trade and other payables	**3 054 866**	3 036 220
Current portion of borrowings	**4 933 280**	3 857 154
Taxation	**167 845**	171 331
Provisions	**391 285**	394 672
Bank overdrafts	**2 907 507**	2 033 702
Other	**201 080**	197 991
Disposal group liabilities held for sale	**156 303**	105 175
Total equity and liabilities	**72 586 906**	70 329 976
Net asset carrying value per share (cents)	**19 043**	17 785

* *Restated*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	% change	**Reviewed 31 March 2019 R'000**	Audited 31 March 2018* R'000
Revenue		**15 332 626**	14 595 865
Net gaming win		**9 827 869**	9 278 038
Income	5.4%	**25 160 495**	23 873 903
Expenses		**(18 572 770)**	(17 527 936)
EBITDA	3.8%	**6 587 725**	6 345 967
Depreciation and amortisation		**(1 446 962)**	(1 412 302)
Operating profit		**5 140 763**	4 933 665
Investment income		**264 935**	299 216
Finance costs		**(1 898 312)**	(1 805 549)
Share of (losses)/profits of associates and joint arrangements		**(169 479)**	103 170
Investment surplus		**14 275**	134 030
Fair value adjustments of investment properties		**(530 339)**	(72 604)
Impairment reversals		**111 319**	40 653
Asset impairments		**(152 694)**	(950 576)
Fair value adjustments of financial instruments		**7 140**	(23 690)
Impairment of goodwill and investments		**–**	(103 897)
Profit before taxation	9.1%	**2 787 608**	2 554 418
Taxation		**(1 000 365)**	(453 959)
Profit for the year from continuing operations		**1 787 243**	2 100 459
Discontinued operations		**(122 833)**	(124 076)
Profit for the year		**1 664 410**	1 976 383
Attributable to:			
Equity holders of the parent		**707 984**	939 749
Non-controlling interest		**956 426**	1 036 634
		1 664 410	1 976 383

* *Restated*

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Reviewed 31 March 2019 R'000	Audited 31 March 2018 R'000
Profit for the year	**1 664 410**	1 976 383
Other comprehensive income:		
Items that may subsequently be reclassified to profit or loss		
Foreign currency translation differences	**410 067**	(192 785)
Reclassification of foreign currency differences on disposal	**(1 005)**	(1 448)
Cash flow hedge reserve	**46 810**	(54 906)
Share of other comprehensive losses of equity-accounted investments	**(21 125)**	–
Available-for-sale financial asset revaluations	**–**	3 401
Items that may not subsequently be reclassified to profit or loss		
Revaluation of land and buildings	**35 895**	42 413
Actuarial gains on post-employment benefit liability	**7 667**	11 073
Fair value adjustments on equity instruments designated at fair value through other comprehensive income	**(5 613)**	–
Total comprehensive income	**2 137 106**	1 784 131
Attributable to:		
Equity holders of the parent	**1 048 592**	803 795
Non-controlling interest	**1 088 514**	980 336
	2 137 106	1 784 131

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reviewed 31 March 2019 R'000	Audited 31 March 2018 R'000
Balance at the beginning of the year**	**35 639 118**	36 119 875
Share capital and premium		
Treasury shares released	**1 968**	32 179
Shares repurchased	**(124 853)**	(377 261)
Current operations		
Total comprehensive income	**2 137 106**	1 784 131
Equity-settled share-based payments	**16 048**	13 509
Acquisition of subsidiaries	**–**	1 536
Disposal of subsidiaries	**(23 083)**	7 688
Effects of changes in holding	**(565 897)**	(770 728)
Dividends	**(1 746 673)**	(1 149 924)
Balance at the end of the year	**35 333 734**	35 661 005

** *Accumulated profits and non-controlling interest as at 1 April 2018 restated by R17.902 million and R3.985 million, respectively, for the adoption of IFRS 9 and IFRS 15.*

RECONCILIATION OF HEADLINE EARNINGS

	% change	Reviewed year ended 31 March 2019 Gross R'000	Reviewed year ended 31 March 2019 Net R'000	Audited year ended 31 March 2018 Gross R'000	Audited year ended 31 March 2018 Net R'000
Earnings attributable to equity holders of the parent	(24.7%)		**707 984**		939 749
Impairment of goodwill		**16 604**	**7 057**	31 299	13 415
Gains on disposal of property		**–**	**–**	(63 600)	(49 354)
Losses on disposal of plant and equipment		**6 195**	**2 117**	2 910	2 450
Impairment of property, plant and equipment		**110 958**	**63 232**	111 124	47 024
Foreign currency translation reserve recycled		**(1 005)**	**(427)**	(1 448)	(686)
(Gains)/losses from disposal/part disposal of subsidiary		**(2 989)**	**(1 899)**	13 704	7 633
Gain on disposal of associates and joint arrangements		**(14 275)**	**(6 067)**	–	–
Impairment of associates and joint arrangements		**–**	**–**	72 598	31 237
Reversal of impairment of assets		**(111 319)**	**(39 394)**	(77)	(46)
Profits on disposal of intangible assets		**–**	**–**	(70 430)	(55 370)
Impairment of intangible assets		**82 324**	**31 421**	831 028	286 374
Fair value adjustment to investment property		**530 339**	**133 375**	72 604	(2 820)
Impairment of non-current assets held for sale		**–**	**–**	1 307	617
Write-off of intangible assets		**14 579**	**4 633**	–	–
Insurance claim for capital assets		**(10 291)**	**(5 764)**	(30)	(18)
Remeasurements included in equity-accounted earnings of associates and joint arrangements		**137 309**	**132 255**	(60 371)	(56 663)
Headline profit	(11.6%)		**1 028 523**		1 163 542
Basic earnings per share (cents)					
Earnings	(22.3%)		**826.16**		1 062.91
Continuing operations			**923.31**		966.49
Discontinued operations			**(97.15)**		96.42
Headline earnings per share (cents)	(8.8%)		**1 200.20**		1 316.04
Continuing operations			**1 262.16**		1 213.43
Discontinued operations			**(61.96)**		102.61
Weighted average number of shares in issue ('000)			**85 696**		88 412
Actual number of shares in issue at the end of the year (net of treasury shares) ('000)			**84 875**		85 882
Diluted earnings per share (cents)					
Earnings	(22.2%)		**821.49**		1 056.23
Continuing operations			**918.09**		960.41
Discontinued operations			**(96.60)**		95.82
Headline earnings per share (cents)	(8.7%)		**1 193.42**		1 307.76
Continuing operations			**1 255.03**		1 205.79
Discontinued operations			**(61.61)**		101.97
Weighted average number of shares in issue ('000)			**86 183**		88 972

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed 31 March 2019 R'000	Audited 31 March 2018 R'000
Cash flows from operating activities	**2 211 232**	2 842 768
Cash generated by operations	**7 052 328**	6 795 004
Net finance costs	**(1 721 092)**	(1 596 864)
Changes in working capital	**(508 047)**	(237 466)
Taxation paid	**(867 910)**	(968 276)
Dividends paid	**(1 744 047)**	(1 149 630)
Cash flows from investing activities	**(3 125 952)**	(2 773 743)
Business combinations and disposals	**(25 903)**	(109 923)
Investments acquired	**(753 393)**	(425 581)
Dividends received	**120 053**	116 156
Decrease in loans and receivables	**271 440**	69 944
Intangible assets		
– Additions	**(26 125)**	(59 744)
– Disposals	**3**	85 004
Investment properties		
– Additions	**(591 237)**	(924 105)
– Disposals	**234**	27 811
Property, plant and equipment		
– Additions	**(2 201 384)**	(1 681 145)
– Disposals	**80 360**	127 840
Cash flows from financing activities	**427 688**	(11 176)
Ordinary shares issued and treasury shares released	**–**	26 616
Ordinary shares repurchased	**(124 853)**	(377 261)
Other liabilities raised	**1 258**	908
Transactions with non-controlling shareholders	**(160 664)**	(748 810)
Net funding raised	**711 947**	1 087 371
(Decrease)/increase in cash and cash equivalents	**(487 032)**	57 849
Cash and cash equivalents		
At the beginning of the year	**1 721 499**	1 673 363
Foreign exchange differences	**48 185**	(9 713)
At the end of the year	**1 282 652**	1 721 499
Bank balances and deposits	**4 180 618**	3 723 805
Bank overdrafts	**(2 907 507)**	(2 033 702)
Cash in disposal groups held for sale	**9 541**	31 396
Cash and cash equivalents	**1 282 652**	1 721 499

SEGMENTAL ANALYSIS

	31 March 2019		31 March 2018*	
	Revenue R'000	**Net gaming win R'000**	Revenue R'000	Net gaming win R'000
Media and broadcasting	**2 405 548**	**–**	2 318 357	–
Gaming and hotels	**6 102 160**	**9 827 869**	6 044 403	9 278 038
Transport	**1 779 849**	**–**	1 808 472	–
Properties	**594 816**	**–**	503 354	–
Mining	**1 472 734**	**–**	1 202 161	–
Branded products and manufacturing	**2 955 836**	**–**	2 694 225	–
Other	**21 683**	**–**	24 893	–
Total	**15 332 626**	**9 827 869**	14 595 865	9 278 038

	EBITDA 31 March		Profit/(loss) before tax 31 March	
	2019 R'000	2018* R'000	**2019 R'000**	2018* R'000
Media and broadcasting	**344 268**	244 207	**224 658**	(8 865)
Gaming and hotels	**5 067 777**	5 038 901	**2 399 715**	1 953 107
Transport	**429 398**	462 135	**349 363**	333 832
Properties	**287 084**	246 175	**138 158**	126 307
Mining	**389 949**	311 517	**294 809**	361 722
Branded products and manufacturing	**204 494**	126 172	**65 460**	36 167
Other	**(135 245)**	(83 140)	**(684 555)**	(247 852)
Total	**6 587 725**	6 345 967	**2 787 608**	2 554 418

	Headline earnings 31 March	
	2019 R'000	2018 R'000
Media and broadcasting	**69 360**	16 519
Gaming and hotels	**935 650**	1 028 882
Transport	**177 836**	224 839
Properties	**67 862**	64 850
Mining	**211 348**	168 791
Branded products and manufacturing	**(15 124)**	(19 949)
Other	**(418 409)**	(320 390)
Total	**1 028 523**	1 163 542

* *Restated*

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The results for the year ended 31 March 2019 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 2018, except for the adoption of IFRS 9 and IFRS 15 in the current year, which did not have a material impact on the results of the group. Opening retained earnings and opening non-controlling interest in the current year were decreased by R14.7 million and R2.9 million, respectively, in respect of the adoption of IFRS 9: Financial Instruments. This adjustment was made in accordance with the transitional provisions of IFRS 9, in terms of which comparative results do not need to be restated. Opening retained earnings and opening non-controlling interest in the current year were decreased by R3.2 million and R1.1 million, respectively, in respect of the adoption of IFRS 15: Revenue from Contracts with Customers. This adjustment was made in accordance with the transitional provisions of IFRS 15, in terms of which comparative results do not need to be restated. As required by the JSE Limited Listings Requirements, the Company reports headline earnings in accordance with Circular 4/2018: 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).

AUDITOR'S REVIEW

These condensed consolidated financial statements for the year ended 31 March 2019 have been reviewed by BDO South Africa Inc., 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. 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.

RESTATEMENT OF PRIOR YEAR RESULTS

Gaming and hotels

The group has established during the year under review that it had treated the share of net gaming win paid to site owners in its limited payout operations incorrectly in prior years. Net gaming win was previously recognised net of payments made to site owners in respect of their share of net gaming win and certain costs recovered reflected in revenue. In accordance with advice received from its auditors, the group wishes to restate its prior year results to correctly reflect the nature of the net gaming win share paid to site owners and certain costs recovered from these parties. The following restatement to the prior year results has been recognised:

Decrease in revenue	R9 million
Increase in net gaming win	R484 million
Increase in expenses	R475 million

The restatement does not affect earnings per share or headline earnings per share and no restatement to equity opening balances is required.

Branded products and manufacturing

During the prior year 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 and for which the purchase price allocation was provisional. The fair value of assets and liabilities acquired and allocation of purchase price have now been finalised. The group has restated its prior year results in respect of changes recognised to the provisional allocation of purchase price. These restatements are as follows:

Non-current assets	
Increase in intangible assets	R35 million
Decrease in goodwill	R27 million
Non-current liabilities	
Increase in deferred tax liability	R8 million

CHANGE IN ESTIMATE

Transport

During the current year the group reviewed the residual values of its bus fleet. The residual values were considered to be higher than those applied previously, which resulted in a reduction in depreciation recognised of R42 million in the current year.

DISCONTINUED OPERATIONS AND DISPOSAL GROUPS HELD FOR SALE

Media and broadcasting

The results of Silverline Three Sixty and certain non-core local and offshore operations are included in the media and broadcasting segment and are included in discontinued operations in the current and prior years. Disposal group assets of R6 million and liabilities of R3 million relate to eMedia Holdings' offshore holding company.

Branded products and manufacturing

The board of Deneb Investments resolved during the prior year to significantly rationalise its Winelands Textiles division, as well as its Seartec digital and electronic equipment division. During the current year the board resolved to dispose of its interests in Winelands Textiles, Frame Knitting Manufacturers, First Factory Shops and Brand ID. The results of the operations of these divisions are included in discontinued operations in the statement of profit and loss in the current and prior years and the assets of R393 million and liabilities of R139 million classified as disposal groups in the current year.

Gaming and hotels

The assets acquired by Tsogo Sun Holdings upon the acquisition of Hospitality Property Fund included properties in the amount of R65 million held for sale and were included in disposal group assets held for sale in the prior year. Due to the delay in sale of these properties, they were reclassified to investment properties in the current year.

Niveus Investments initiated the process to dispose of its online and retail sports betting interests during March 2019. As a result the assets of R37 million and liabilities of R15 million of these operations have been reclassified to disposal groups held for sale in the current year and their results to discontinued operations in the current and prior years.

The results of discontinued operations were as follows in the current year (R'million):

	Media and broadcasting non-core operations	Branded products and manufacturing textiles and electronic equipment divisions	Gaming non-core operations
Loss after tax	(35)	(84)	(6)
Profit on disposal	–	1	2

BUSINESS COMBINATIONS

Gaming and hotels

Vukani Gaming Corporation concluded agreements with TAB-Austria (TAB) to acquire the intellectual property rights to the Golden Island Casino Limited payout machines for Africa, which include the processes, formulae, methods and information controlled and owned by TAB, currently being manufactured by TAB. The effective date was 21 September 2018. The acquired business contributed no revenue or profit after tax to the group for the year ended 31 March 2019. The fair value of net assets acquired is as follows:

	R'million
Intangible assets	49
Deferred tax liabilities	(14)
Net assets acquired	35
Goodwill	14
Purchase consideration	49
Deferred purchase consideration	(31)
Cash outflow on acquisition of business	18

BUSINESS COMBINATIONS SUBSEQUENT TO REPORTING DATE

Transport

As at the reporting date the group held 33.33% of the issued share capital of Sibanye Bus Services Proprietary Limited (Sibanye). On 1 April 2019 the group acquired an additional 33.33% of the issued share capital of Sibanye for a purchase consideration of R27 million, increasing its holding in the company to 66.66%.

Had the acquisition occurred on 1 April 2018, revenue would have increased by R87 million and profit after tax by R17 million.

The fair value of net assets acquired in Sibanye, for which the purchase price allocation remains provisional, is as follows:

	R'million
Property, plant and equipment	59
Current assets	48
Non-current liabilities	(35)
Current liabilities	(20)
Net assets acquired	52
Non-controlling interest	(17)
Fair value of interest previously held	(17)
Goodwill	9
Purchase consideration	27

RESULTS

GROUP STATEMENT OF PROFIT AND LOSS AND SEGMENTAL ANALYSIS

Revenue increased by 5.4% to R25 160 million
EBITDA increased by 3.8% to R6 588 million
Profit before tax increased by 9.1% to R2 788 million
Headline earnings decreased by 11.6% to R1 029 million
Headline earnings per share decreased by 8.8% to 1 200 cents per share

Media and broadcasting

eMedia recorded an increase in revenue of 4%. A 4% increase in gross advertising revenue was recorded in a difficult television advertising environment. Licence fee revenue increased by 5% due to the annual contractual increase. Property and facility revenue increased by 10%. EBITDA increased by 41%, assisted by an increase of only 1% in programming and employee costs and a 19% decrease in signal distribution costs. EBITDA includes subsidy costs of R55 million in respect of OpenView set top boxes. The multi-channel business (including OpenView) earned increased advertising revenue of R132 million in the current year. To be noted is that active set top boxes have increased from 1 149 217 in the prior year to 1 574 395 at reporting date. Profit before tax increased by R234 million, with the prior year including impairments of investments and goodwill of R95 million and the current year including R14 million investment surplus on the disposal of eMedia's interest in Da Vinci Learning. Headline earnings represents the group's share of eMedia's earnings, adjusted for non-headline items totalling a loss of R17 million. Discontinued operations, consisting significantly of Silverline Three Sixty and Strika Entertainment, incurred losses of R35 million, including the impairment of goodwill of R17 million and intangibles of R11 million.

Gaming and hotels

Revenue in respect of gaming and hotels increased by 1%. Overall net gaming win increased by 6%, with casino gaming win increasing by 2%. Casino gaming win increased by 5%, 2% and 2% at Montecasino, Silverstar and Suncoast Casino, respectively. Gold Reef City recorded a 2% decline. Alternative gaming win increased by 15%. SA hotel revenue was stagnant, significantly affected by the water shortages in Cape Town and general oversupply in that area. Offshore hotel revenue increased by 7% following the opening of the StayEasy Maputo and favourable currency movements. Overall hotel occupancies reduced from 62.4% to 60.6% in the current year. EBITDA increased by 1%, with gains in gaming largely off-set by a decrease in hotels' EBITDA. Profit before tax increased by 23%. A downward revaluation of investment properties in the amount of R454 million was recognised, together with the impairment of R65 million on owner-occupied property in the current year. The group has also recognised impairment charges on the carrying values of casino licences recognised upon the deemed acquisition of Tsogo Sun in August 2014. An impairment of R72 million was recognised in the current year in respect of the Emnotweni Casino due to continued poor trading conditions. A reversal of a prior year impairment of R111 million was recognised in respect of the Goldfields Casino. The total licence impairment amount in the prior year was R823 million and the group also recognised impairments of property, plant and equipment totalling R129 million in the prior year. A downward revaluation of investment properties in the amount of R191 million was recognised on HPF investment properties in 2018. Contribution to headline earnings decreased by 9% to R936 million. The prior year included an effective share of R133 million of a deferred tax liability reversal following the sale of certain hotel properties to HPF. Excluding the effect of this reversal results in an increase in contribution to headline earnings of approximately 4%.

The number of active machines in Vukani has increased by 3% to 6 058 during the current year. The number of electronic bingo terminals increased by 21% to 3 507 during the current year.

Transport

Transport revenue decreased by 2%, following a prolonged industry-wide protected bus driver strike during April and May 2018 and illegal strikes from October to December 2018 affecting the MyCiti routes. EBITDA decreased by 7%. Above inflation wage increases at 8.5% and significantly increased fuel costs resulted in a R33 million decrease in EBITDA. Profit before tax increased by 5%. Excluding the effect of the change in estimate of residual values of buses, a decrease of 8% would have been recorded. Profit before tax also includes an increase of R27 million in interest income as a result of the promissory notes held until December 2018. Headline earnings was affected by the group's reduced effective interest in HPL&R of 75%, the dilution resulting in a loss of approximately R47 million in headline earnings to the group.

Properties

Properties' revenue increased by 18% due to additional revenue of R25 million from Whale Coast Village Mall, R16 million from Shell House, R13 million from the Westlake warehouse precinct and R20 million from Gallagher Estate, with annual escalations and tenanting efficiencies in the rest of the portfolio responsible for the remaining increase. EBITDA increased in line with revenue by 17%. EBITDA gains were somewhat off-set by an increase of R24 million in finance charges, originating from the launch of Shell House, Whale Coast Village Mall and Westlake warehouse facilities in the second half of the previous year. Fair value adjustments in the amount of R22 million were recognised in the current year compared to R28 million in the prior year.

Mining

Revenue increased by 22% and 23% at the Palesa and Mbali Collieries, respectively. However, sales volumes at Palesa increased by 35 000 tons (2%), with mining contractor inefficiencies leading to reduced volumes up to December 2018. These shortfalls were corrected in the last three months of the year following a change in mining contractor. Sales volumes increased by 1% to 915 000 tons at the Mbali Colliery. In addition, export sales prices achieved at the Mbali Colliery were 19% higher than the prior year. EBITDA increased by 25%, increasing by 31% at the Palesa Colliery and 24% at the Mbali Colliery. EBITDA margins remained stable at both collieries, in comparison to the prior year. Profit before tax in the prior year included a profit on disposal of the Nokuhle reserve. Headline earnings increased in line with profit before tax, adjusting for this prior year investment surplus.

Branded products and manufacturing

Branded products and manufacturing increased revenue by 10%, with growth attributable to the branded product and manufacturing operations. EBITDA increased by 62%, assisted by favourable foreign exchange movements, however branded product operations faced reduced gross margins and gross profits. The prior year profit before tax included fair value adjustments to investment properties of R44 million, whereas the current year includes only R13 million. Included in losses from discontinued operations of R84 million are impairments to property, plant and equipment and intangibles totalling R40 million which were reversed to arrive at headline earnings.

Other

EBITDA losses increased by R52 million, a large portion of that increase relating to the group's take-on of the internal audit operations previously performed by an external party and legal fees incurred in the Ithuba arbitration. Losses before tax increased by R437 million compared to the prior year. The increase in losses is attributable to equity earnings in respect of Impact Oil and Gas (IOG) in the prior year being R29 million, as compared to a loss of R172 million in the current year (including the group's effective share of R127 million of the impairment of an exploration licence in Gabon); equity losses of R37 million in respect of Platinum Group Metals (PGM) being recognised for the first time in the current year; R112 million in downward fair value adjustments to investment properties being recognised by La Concorde (R47 million upward adjustments in the prior year). In addition, interest earned by La Concorde reduced following its distribution of cash and transfer of promissory notes during the group's restructure of its interest in HPL&R, finance costs at head office increased by R14 million to R225 million in the current year and certain costs at Niveus, previously included in non-casino gaming, are now included in other. Included in the current year's headline loss is R225 million head office finance costs; costs relating to the group's new internal audit operations; R45 million equity losses from IOG; R37 million equity losses from PGM; R6 million equity losses from the Karoshoek concentrated solar project; with the remainder being head office and other overheads of the company, Niveus and La Concorde.

Notable items on the consolidated statement of profit and loss include:
Consolidated investment income decreased by R34 million, significantly as a result of the distribution of cash by La Concorde during the restructure of the group's interest in HPL&R and reduced interest earned on promissory notes recognised in respect of the sale of La Concorde's operational assets in October 2016.

Finance costs increased by R92 million, R23 million of which in HCI Properties and R78 million in Tsogo Sun.

Losses from associates and joint arrangements include R9 million profit from BSG Africa, R22 million profit from International Hotel Properties and Redefine BDL, R11 million profit from Sibanye in HPL&R, R37 million in losses from PGM and R172 million in losses from IOG.

Investment surplus consists of a profit on disposal of associate, Da Vinci Media, by eMedia.

The fair value adjustments of investment properties are downward adjustments of R454 million in respect of properties held by HPF, downward adjustments of R112 million in respect of La Concorde-held properties and upward adjustments of R22 million and R13 million in respect of properties held by HCI Properties and Deneb, respectively.

Fair value adjustments of financial instruments consist of ineffective portions of foreign exchange and interest rate hedges at Tsogo Sun and head office.

Impairments consist of impairments to property, plant and equipment, significantly R65 million in respect of properties held by Tsogo Sun and R11 million in respect of buses of HPL&R. An impairment of R72 million was recognised in respect of casino licences.

Reversal of impairments consists of the reversal of a prior year impairment to casino licences.

The average taxation rate, including once-off items, equalled 18% in the prior year due to the reversal of R307 million in deferred tax liabilities in Tsogo Sun upon the sale of certain hotel properties to HPF. The current year average taxation rate of approximately 36% is the result of head office finance and other costs and the group's losses from associates and joint arrangements not yielding any significant tax benefits. Excluding these, the average tax rate normalises to approximately 30%.

Headline earnings decreased by 11.6%; however, excluding the impact of the favourable deferred tax reversal in the prior year, headline earnings would have shown a 0% decrease. Headline earnings per share decreased by 8.8%. The weighted average number of shares in issue in the prior year of 88 412 000 was reduced to 85 696 000 in the current year due significantly to the conclusion of a repurchase of 2.7 million shares during March 2018, which resulted in the discrepancy between the gross and per share profit increase. 1.02 million shares of the company were repurchased during the current year.

GROUP STATEMENT OF FINANCIAL POSITION AND CASH FLOW

Group long-term borrowings at 31 March 2019 comprise central borrowings of R700 million, central investment property-related borrowings of R1 891 million, borrowings in Tsogo Sun of R12 937 million and the remainder in other operating subsidiaries. Included in the current portion of borrowings is R2 292 million central borrowings and R1 833 million in short-term borrowings in Tsogo Sun. Current central borrowings of R1 584 million is due to be refinanced in the first half of the 2020 financial year. Bank overdraft facilities include R2 124 million in Tsogo Sun, R422 million at head office and R324 million in Deneb.

Included in cash flows from investing activities is net expenditure on investment properties of R591 million, R292 million of which in HCI Properties, R190 million in Tsogo Sun and R107 million in Deneb. R2 201 million in expenditure was incurred on property, plant and equipment, of which R1 775 million was incurred by Tsogo Sun, R125 million by Deneb and R126 million by HCI Coal. R750 million was invested in associates and joint arrangements, with R384 million being invested into IOG, R119 million into PGM and R243 million into Karoshoek. Net funding of R920 million was raised by Tsogo Sun and R581 million by HCI Properties.

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

NOTES AND COMMENTARY (CONTINUED)

CHANGES IN DIRECTORATE

Ms Ngiphiwe Mhlangu resigned as a non-executive director from the board on 5 December 2018 and Ms Moretlo Molefi on 22 May 2019. Ms Cornelia Carol (Connie) September was appointed to the board as an independent non-executive director on 25 March 2019 and resigned from that position on 22 May 2019. Mr James Robert Nicolella was appointed to the board as an executive director on 22 May 2019.

DIVIDEND TO SHAREHOLDERS

The directors of HCI have resolved to declare a final ordinary dividend number 59 of 210 cents (gross) per HCI share for the year ended 31 March 2019 from income reserves. The salient dates for the payment of the dividend are as follows:

Last day to trade cum dividend	Tuesday, 18 June 2019
Commence trading ex dividend	Wednesday, 19 June 2019
Record date	Friday, 21 June 2019
Payment date	Monday, 24 June 2019

No share certificates may be dematerialised or rematerialised between Wednesday, 19 June 2019 and Friday, 21 June 2019, 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 90 126 648.
- The DT amounts to 42 cents per share.
- The net local dividend amount is 168 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.

In terms of the DT legislation, any DT amount due will be withheld and paid over to the South African Revenue Service by a nominee company, stockbroker or Central Securities Depository Participant (collectively the "regulated intermediary") on behalf of shareholders. All shareholders should declare their status to their regulated intermediary as they may qualify for a reduced DT rate or exemption.

For and on behalf of the board of directors

JA Copelyn
Chief Executive Officer

TG Govender
Financial Director

Cape Town
23 May 2019

www.hci.co.za

Hosken Consolidated Investments Limited