Hosken Consolidated Investments Limited

ABRIDGED RESULTS
FOR THE YEAR ENDED 31 MARCH 2021

CORPORATE ADMINISTRATION

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")

Directors:
JA Copelyn (Chief Executive Officer)
JR Nicolella (Financial Director)
TG Govender
Y Shaik
MH Ahmed*
MF Magugu*
L McDonald**
SNN Mkhwanazi-Sigege**
VE Mphande* (Chairman)
JG Ngcobo*
RD Watson*

* Independent non-executive ** Non-executive

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 X10046, Sandton, 2146

Transfer secretaries:
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
Private Bag X9000, Saxonwold, 2132

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

Website address:
www.hci.co.za

INVESTMENTS

Tsogo Sun Gaming

Tsogo Sun Hotels

eMedia Holdings

Vukani Gaming Corporation

Galaxy Bingo

OpenView HD

Golden Arrow Bus Service

HCI Coal

Karoshoek

Deneb Investments

Platinum Group Metals

HCI Properties (division)

Impact Oil & Gas

Hosken Passenger Logistics & Rail

Business Systems Group (Africa)

SUMMARISED STATEMENT OF FINANCIAL POSITION

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

* *Restated for the reclassification of operating lease equalisation assets totalling R121 million, R115 million and R6 million to investment properties and other non-current assets, respectively*

SUMMARISED STATEMENT OF PROFIT OR LOSS

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

* *Restated for discontinued operations*

SUMMARISED STATEMENT OF OTHER COMPREHENSIVE INCOME

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

SUMMARISED STATEMENT OF CHANGES IN EQUITY

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

RECONCILIATION OF HEADLINE EARNINGS

	% change	Audited year ended 31 March 2021 Gross R'000	Audited year ended 31 March 2021 Net R'000	Audited year ended 31 March 2020 Gross R'000	Audited year ended 31 March 2020 Net R'000
Losses attributable to equity holders of the parent	(74.8%)		(960 014)		(3 805 278)
Fair value adjustment on deemed disposal of associate		–	–	(9 163)	(5 691)
Impairment of goodwill		30 156	13 605	819 711	637 713
Gains on disposal of plant and equipment		(33 722)	(13 354)	(18 821)	(10 815)
Impairment of property, plant and equipment		41 604	24 108	1 053 239	425 908
Foreign currency translation and hedging reserves recycled		(80 935)	(80 935)	–	–
Losses/(gains) from disposal of subsidiaries		1 824 931	1 796 362	(254)	(1 599)
Gains on disposal of associates and joint arrangements		(396 754)	(201 704)	(28 524)	(12 400)
Impairment of associates and joint arrangements		1 565 702	1 424 031	28 259	14 523
Reversal of impairment of assets		(208 739)	(74 808)	–	–
Impairment of intangible assets		3 090	2 286	9 245 979	3 292 624
Losses on disposal of investment properties		350	240	49	89
Fair value adjustments on investment properties		35 840	13 819	993 218	352 749
Impairment of right-of-use assets		–	–	7 307	3 361
Insurance claims for capital assets		(8 656)	(5 122)	(6 828)	(3 815)
Remeasurements included in equity-accounted earnings of associates and joint arrangements		(1 847 538)	(1 705 817)	170 137	159 539
Headline profit	(77.8%)		232 697		1 046 908
Basic (losses)/earnings per share (cents)					
Losses	(74.1%)		(1 187.11)		(4 591.53)
Continuing operations			1 063.58		(2 990.61)
Discontinued operations			(2 250.69)		(1 600.92)
Headline earnings/(losses) per share (cents)	(77.2%)		287.74		1 263.22
Continuing operations			609.56		1 313.07
Discontinued operations			(321.82)		(49.85)
Weighted average number of shares in issue ('000)			80 870		82 876
Actual number of shares in issue at the end of the year (net of treasury shares) ('000)			80 870		80 870
Diluted (losses)/earnings per share (cents)					
Losses	(74.1%)		(1 187.11)		(4 591.53)
Continuing operations			1 063.58		(2 990.61)
Discontinued operations			(2 250.69)		(1 600.92)
Headline earnings per share (cents)	(77.2%)		287.74		1 263.22
Continuing operations			609.56		1 313.07
Discontinued operations			(321.82)		(49.85)
Weighted average number of shares in issue ('000)			80 870		82 876

SUMMARISED STATEMENT OF CASH FLOWS

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

SEGMENTAL ANALYSIS

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

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

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

* *Restated for discontinued operations*

SEGMENTAL ANALYSIS (CONTINUED)

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

	South Africa R'000	Other African countries and Middle East R'000	Europe and United Kingdom R'000	Total R'000
31 March 2021				
Media and broadcasting	**2 428 959**	**–**	**–**	**2 428 959**
Gaming	**381 096**	**–**	**–**	**381 096**
Transport	**1 640 563**	**–**	**–**	**1 640 563**
Properties	**131 996**	**–**	**–**	**131 996**
Coal mining	**1 136 594**	**–**	**–**	**1 136 594**
Branded products and manufacturing	**2 348 517**	**46 437**	**59 799**	**2 454 753**
Other	**17 134**	**–**	**–**	**17 134**
Total	**8 084 859**	**46 437**	**59 799**	**8 191 095**
31 March 2020*				
Media and broadcasting	2 491 304	–	–	2 491 304
Gaming	1 648 516	–	–	1 648 516
Transport	2 045 158	–	–	2 045 158
Properties	253 709	–	–	253 709
Coal mining	1 360 174	–	–	1 360 174
Branded products and manufacturing	2 623 182	49 281	60 376	2 732 839
Other	12 121	–	–	12 121
Total	10 434 164	49 281	60 376	10 543 821

* *Restated for discontinued operations*

SEGMENTAL ANALYSIS (CONTINUED)

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

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

* *Restated for discontinued operations*

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The results for the year ended 31 March 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the disclosure requirements of IAS 34, the 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.

As required by the JSE Limited Listings Requirements, the company reports headline earnings in accordance with Circular 1/2019: Headline Earnings as issued by the South African Institute of Chartered Accountants.

These summarised financial statements were prepared under the supervision of the financial director, Mr JR Nicolella CA(SA). These summarised financial statements are extracted from the audited annual financial statements, but not itself audited. The directors take full responsibility for the preparation of the summarised financial statements and that the financial information has been correctly extracted from the underlying annual financial statements.

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

Amendment to IFRS 16 Leases

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

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

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

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

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

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

CHANGE STATEMENT

The audited annual financial statements of the company for the year ended 31 March 2021, on which its auditors expressed an unmodified audit opinion, contain the following change to the reviewed provisional results for the year ended 31 March 2021 as published on 28 May 2021:

As detailed in the results below, the group was considered to have lost control of Tsogo Sun Hotels ("TSH") during December 2020, resulting in the group being deemed to have disposed of its interest in TSH and acquiring an associate interest in same.

On recognition of the group's associate interest in TSH, a gain on bargain purchase of R2 094 million, being the excess of its share of the net fair value of TSH's identifiable assets and liabilities over the cost of its investment, which should have been included as income in the determination of the group's share of TSH's profit in the period since acquisition, had not been recognised. Following this upward adjustment of the carrying value of the group's interest in TSH, an indicator of impairment existed at the reporting date, resulting in the recognition of an impairment of the investment by R1 565 million.

The recognition of the excess of the group's share of the net fair value of TSH's identifiable assets and liabilities over the cost of its investment and subsequent impairment resulted in the following changes, as compared to the reviewed provisional results:

Loss for the year attributable to equity holders of the parent
As previously stated: R1 420.6 million
As adjusted: R960.0 million

Basic losses per share
As previously stated: 1 757 cents
As adjusted: 1 187 cents

Equity attributable to equity holders of the parent
As previously stated: R11 666 million
As adjusted: R12 126 million

Net asset carrying value per share
As previously stated: 14 425 cents
As adjusted: 14 995 cents

Headline earnings and headline earnings per share were unaffected by the adjustment.

The accounting in respect of the acquisition is provisional as at the reporting date, and will be finalised within 12 months from the date of acquisition.

GOING CONCERN AND IMPACT OF COVID-19 PANDEMIC

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

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

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

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

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

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

RECLASSIFICATION OF COMPARATIVE RESULTS

Media and broadcasting and Properties

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

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

FAIR VALUE MEASUREMENT

Investment properties

Gaming

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

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

Properties

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

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

Branded products and manufacturing

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

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

Financial asset at fair value through other comprehensive income

Gaming

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

The asset has been remeasured to R675 million at 31 March 2021, a R223 million decrease. A discounted cash flow valuation was used to estimate the fair value. The reason for the fair value loss is significantly the outbreak of COVID-19 which has severely affected the South African economy.

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

- income increases by 92% in the 2022 financial year and then by 13% in the 2023 financial year, 11% in the 2024 financial year, thereafter 3% over the following years;

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

IMPAIRMENT REVERSALS

Intangible assets

Gaming

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

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

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

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

IMPAIRMENTS

Investment in associate

Hotels

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

The value-in-use was determined as follows:

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

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

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

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

BUSINESS COMBINATIONS AND DISPOSALS

Hotels

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

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

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

Properties

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

Coal Mining

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

DISCONTINUED OPERATIONS AND DISPOSAL GROUPS HELD FOR SALE

Media and broadcasting

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

Gaming

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

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

Hotels

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

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

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

Properties

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

Coal mining

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

Branded products and manufacturing

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

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

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

RESULTS

GROUP STATEMENT OF PROFIT OR LOSS AND SEGMENTAL ANALYSIS

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

Media and broadcasting

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

Gaming

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

Hotels

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

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

Losses included in discontinued operations include a profit on disposal of R355 million in respect of the group's 50% investment in United Resorts and Hotels Limited (owner of the Maia resort) and an effective R90 million downward fair value adjustment on investment properties reported by an associate, International Hotel Properties Limited. The group's share of downward fair value adjustments to investment properties of R99 million and impairments to property, plant and equipment of R237 million is included in share of losses of associates and joint arrangements. Also included in share of profits of associates and joint arrangements (and therefore profit before tax) is a gain on bargain purchase of R2 094 million recognised on the acquisition of the group's associate investment in TSH, being the excess of its share of the net fair value of TSH's identifiable assets and liabilities over the cost of its investment, as well as the impairment in the amount of R1 565 million, recognised in respect of this investment at the reporting date. Headline earnings was adjusted for these items.

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

Transport

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

Properties

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

Coal mining

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

Branded products and manufacturing

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

Oil and gas prospecting

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

Palladium prospecting

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

Other

EBITDA losses decreased by R27 million following inter alia reduced expenditure in the group's internal audit function, legal fees on the Ithuba matter and costs in respect of the Niveus Investments structure. Profit before tax improved by R194 million compared to the prior year. Included in profit before tax is R19 million in interest and a R219 million gain on settlement of arbitration proceedings in respect of the finance arrangements with Ithuba Holdings, the current National Lottery operator. Head office finance costs increased from R229 million to R239 million. Equity losses in respect of Karoshoek reduced by R13 million to R15 million and net expenditure by the group's internal audit function by R8 million to R25 million. Also included in profit before tax is the fair value adjustment of R130 million on the minority interest held in Montauk Renewables Inc. The prior-year losses before tax included R258 million in interest received from Ithuba Holdings. Included in the current year's headline loss is R239 million head office finance costs, the aforementioned losses from Karoshoek, an attributable amount of R26 million in respect of the fair value adjustments to the investment in Montauk Renewables Inc. and the after tax amount of R185 million received from Ithuba Holdings, with the remainder being equity earnings from certain associate investments, head office and other overheads of the group's internal audit function, the company, Niveus Investments and La Concorde Holdings.

Notable items on the consolidated income statement include:

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

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

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

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

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

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

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

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

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

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

GROUP STATEMENT OF FINANCIAL POSITION

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

GROUP STATEMENT OF CASH FLOWS

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

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

EVENTS SUBSEQUENT TO REPORTING DATE

The directors are not aware of any matter or circumstance arising between the reporting date and the date of this report, other than those reported, that may affect the financial position as at the reporting date or the results for the year then ended, as contained in these summarised financial statements.

AUDITOR'S OPINION

These summarised financial statements are extracted from the audited financial statements but not itself audited. The underlying financial statements for the year ended 31 March 2021 have been audited by BDO South Africa Inc., who expressed an unmodified audit opinion.

A copy of the auditor's audit opinion is available for inspection at the company's registered office together with the financial statements identified in the auditor's opinion. The auditor's report does not necessarily report on all 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 company's registered office.

CHANGES IN DIRECTORATE

Mr MSI Gani, an independent non-executive director, resigned from the board of directors effective 7 September 2020, due to ill health. Mr Gani sadly passed away on 5 January 2021.

Mr MH Ahmed was appointed as an independent non-executive director effective 7 September 2020.

DIVIDEND TO SHAREHOLDERS

Due to the impact of the COVID-19 pandemic on the group's operations and the requirement to preserve cash resources, the directors have resolved not to declare a final dividend.

For and on behalf of the board of directors

JA Copelyn
Chief Executive Officer

JR Nicolella
Financial Director

Cape Town
30 July 2021

GROUNDPEPPER

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Hosken Consolidated Investments Limited

2021