REVIEWED PROVISIONAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2022

HCI

Hosken Consolidated Investments Limited

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

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

Frontier Transport Holdings

Business Systems Group (Africa)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed 31 March 2022 R'000	Reviewed 31 March 2021* R'000
ASSETS		
Non-current assets	40 858 036	40 424 198
Property, plant and equipment	16 046 945	16 610 166
Right-of-use assets	324 184	353 250
Investment properties	5 067 831	5 381 333
Goodwill	3 868 505	3 872 534
Investments in associates and joint arrangements	4 458 953	3 573 978
Other financial assets	1 089 791	1 031 565
Intangible assets	9 576 591	9 177 953
Deferred taxation	333 566	340 893
Other	91 670	82 526
Current assets	6 216 240	5 340 741
Inventories	899 661	620 913
Programme rights	978 651	1 074 631
Other financial assets	92 963	–
Trade and other receivables	1 842 038	1 765 538
Taxation	93 340	117 778
Bank balances and deposits	2 309 587	1 761 881
Disposal group assets held for sale	147 240	188 221
Total assets	47 221 516	45 953 160
EQUITY AND LIABILITIES		
Equity	22 827 423	19 524 296
Equity attributable to equity holders of the parent	14 383 272	12 063 264
Non-controlling interest	8 444 151	7 461 032
Non-current liabilities	17 526 260	19 242 636
Deferred taxation	4 687 525	4 578 055
Borrowings	11 974 360	13 665 381
Lease liabilities	399 063	410 047
Provisions	72 431	70 604
Other	392 881	518 549
Current liabilities	6 866 068	7 168 563
Trade and other payables	2 709 143	2 520 716
Current portion of borrowings	3 586 404	3 919 533
Taxation	44 045	50 374
Provisions	188 071	169 539
Bank overdrafts	273 108	420 611
Other	65 297	87 790
Disposal group liabilities held for sale	1 765	17 665
Total equity and liabilities	47 221 516	45 953 160
Net asset carrying value per share (cents)	17 786	14 917

** Restated for purchase price allocation of hotels*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	% change	Reviewed 31 March 2022 R'000	Reviewed 31 March 2021* R'000
Revenue		10 710 621	8 191 095
Net gaming win		7 778 881	5 275 457
Property rental income		640 725	620 049
Income	35.8	19 130 227	14 086 601
Expenses		(14 107 702)	(10 992 350)
EBITDA	62.3	5 022 525	3 094 251
Depreciation and amortisation		(1 168 081)	(1 218 495)
Operating profit		3 854 444	1 875 756
Investment income		148 973	94 963
Finance costs		(1 322 528)	(1 522 090)
Share of (losses)/profits of associates and joint arrangements		(93 605)	3 338 243
Investment surplus		181 409	316 947
Fair value adjustments on investment properties		(26 593)	(35 840)
Impairment reversals		1 387 175	208 739
Asset impairments		(209 357)	(33 756)
Fair value adjustments on financial instruments		9 395	129 445
Impairment of goodwill and investments		(4 247)	(3 000 975)
Profit before taxation	186.2	3 925 066	1 371 432
Taxation		(713 368)	(257 127)
Profit for the year from continuing operations		3 211 698	1 114 305
Discontinued operations		(9 476)	(2 096 725)
Profit/(loss) for the year		3 202 222	(982 420)
Attributable to:			
Equity holders of the parent		2 078 572	(1 023 062)
Non-controlling interest		1 123 650	40 642
		3 202 222	(982 420)

* *Restated for purchase price allocation of hotels*

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Reviewed 31 March 2022 R'000	Reviewed 31 March 2021* R'000
Profit/(loss) for the year	3 202 222	(982 420)
Other comprehensive (loss)/income net of tax:		
Items that will subsequently be reclassified to profit or loss		
Foreign currency translation differences	(66 555)	(761 953)
Reclassification of foreign currency translation differences on disposal of subsidiaries	–	(225 805)
Cash flow hedge reserve	136 278	(76 221)
Reclassification of cash flow hedge reserve on disposal of subsidiaries	–	45 002
Share of other comprehensive income/(losses) of equity-accounted investments	21 154	(4 031)
Reclassification of equity-accounted foreign currency translation reserves on disposal and dilution of interests in associates	1 277	–
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
Actuarial gains/(losses) on post-employment benefit assets and liabilities	6 333	(5 330)
Fair value adjustments on equity instruments designated at fair value through other comprehensive income	139 844	(294 844)
Share of other comprehensive (losses)/income of equity-accounted investments	(355)	8 797
Total comprehensive income/(loss)	3 440 198	(2 270 308)
Attributable to:		
Equity holders of the parent	2 179 540	(1 858 909)
Non-controlling interest	1 260 658	(411 399)
	3 440 198	(2 270 308)

* *Restated for purchase price allocation of hotels*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reviewed 31 March 2022 R'000	Reviewed 31 March 2021 R'000
Balance at the beginning of the year	19 524 296	26 651 453
Current operations		
Total comprehensive income/(loss)	3 440 198	(2 270 308)
Equity-settled share-based payments	23 460	24 911
Share of direct equity movements of equity-accounted investments	22 010	–
Disposal of subsidiaries	(20 848)	(5 739 478)
Effects of changes in holding	(79 714)	891 340
Dividends to non-controlling shareholders of subsidiaries	(81 979)	(33 622)
Balance at the end of the year	22 827 423	19 524 296

RECONCILIATION OF HEADLINE EARNINGS

	% change	Reviewed 31 March 2022 Gross R'000	Reviewed 31 March 2022 Net* R'000	Reviewed 31 March 2021** Gross R'000	Reviewed 31 March 2021** Net R'000
Earnings/(losses) attributable to equity holders of the parent	303.2		2 078 572		(1 023 062)
Impairment of goodwill		4 247	3 491	30 156	13 605
Gains on disposal of property		(10 762)	(4 087)	–	–
Gains on disposal of plant and equipment		(7 095)	(3 005)	(33 722)	(13 354)
Impairment of property, plant and equipment		23 489	14 146	41 604	24 108
Foreign currency translation and hedging reserves recycled		-	-	(80 935)	(80 935)
(Gains)/losses from disposal of subsidiaries		(38 603)	(38 603)	1 824 931	1 796 362
Gains on disposal and dilution of interests in associates and joint arrangements		(138 557)	(138 557)	(540 715)	(338 276)
Foreign currency translation reserves recycled on disposal and dilution of interests in associates		1 277	1 277	–	–
(Impairment reversal)/impairment of associates and joint arrangements		(756 929)	(696 929)	3 001 954	2 786 564
Reversal of impairment of assets		(630 246)	(233 495)	(208 739)	(74 808)
Losses on disposal of intangible assets		9	8	–	–
Impairment of intangible assets		193 220	70 306	3 090	2 286
(Gains)/losses on disposal of investment properties		(5 526)	(4 286)	350	240
Fair value adjustments on investment properties		26 593	15 392	35 840	13 819
Insurance claims for capital assets		(22 698)	(8 812)	(8 656)	(5 122)
Remeasurements included in equity-accounted earnings of associates and joint arrangements		13 698	13 104	(3 139 829)	(2 868 730)
Headline earnings	359.2		1 068 522		232 697
Basic earnings/(losses) per share (cents)					
Earnings/(losses)	303.2		2 570.26		(1 265.07)
Continuing operations			2 578.12		985.62
Discontinued operations			(7.86)		(2 250.69)
Headline earnings per share (cents)	359.2		1 321.28		287.74
Continuing operations			1 321.38		609.56
Discontinued operations			(0.10)		(321.82)
Weighted average number of shares in issue ('000)			80 870		80 870
Actual number of shares in issue at the end of the year (net of treasury shares) ('000)			80 870		80 870
Diluted earnings/(losses) per share (cents)					
Earnings/(losses)	303.0		2 568.01		(1 265.07)
Continuing operations			2 575.86		985.62
Discontinued operations			(7.85)		(2 250.69)
Headline earnings per share (cents)	358.8		1 320.12		287.74
Continuing operations			1 320.22		609.56
Discontinued operations			(0.10)		(321.82)
Weighted average number of shares in issue ('000)			80 941		80 870

* *Includes impact of change in corporate tax rate where relevant*
** *Restated for purchase price allocation of hotels*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed 31 March 2022 R'000	Reviewed 31 March 2021 R'000
Cash flows from operating activities	2 655 582	1 412 651
Cash generated by operations	5 148 173	2 779 836
Net finance costs	(1 626 157)	(1 356 384)
Changes in working capital	(170 864)	416 510
Taxation paid	(619 269)	(383 775)
Dividends paid to non-controlling shareholders of subsidiaries	(76 301)	(43 536)
Cash flows from investing activities	(420 437)	(350 466)
Business combinations and disposals	107 382	(462 624)
Net investments (acquired)/disposed of	(123 489)	234 330
Dividends received	81 246	64 071
Loans and receivables (advanced)/repaid	(98)	388 685
Proceeds from insurance claims for capital assets	22 698	–
Intangible assets		
– Additions	(5 824)	(56 703)
– Disposals	922	–
Investment properties		
– Additions	(160 727)	(161 347)
– Disposals	26 698	125 000
Property, plant and equipment		
– Additions	(537 482)	(537 373)
– Disposals	168 237	55 495
Cash flows from financing activities	(1 539 619)	(1 410 219)
Other liabilities raised	–	1 921
Transactions with non-controlling shareholders	(87 573)	(28 552)
Principal paid on lease liabilities	(64 086)	(61 759)
Net funding repaid	(1 387 960)	(1 321 829)
Increase/(decrease) in cash and cash equivalents	695 526	(348 034)
Cash and cash equivalents		
At the beginning of the year	1 341 695	1 740 249
Foreign exchange differences	(453)	(50 520)
At the end of the year	2 036 768	1 341 695
Bank balances and deposits	2 309 587	1 761 881
Bank overdrafts	(273 108)	(420 611)
Cash in disposal groups held for sale	289	425
Cash and cash equivalents	2 036 768	1 341 695

SEGMENTAL ANALYSIS

	Revenue 31 March		Net gaming win 31 March	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Media and broadcasting	3 190 608	2 428 959	–	–
Gaming	942 471	381 096	7 778 881	5 275 457
Transport	2 078 729	1 640 563	–	–
Properties	167 858	131 996	–	–
Coal mining	1 448 010	1 136 594	–	–
Branded products and manufacturing	2 860 301	2 454 753	–	–
Other	22 644	17 134	–	–
Total	10 710 621	8 191 095	7 778 881	5 275 457

	Property rental income 31 March		EBITDA 31 March	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Media and broadcasting	15 394	15 064	707 756	327 456
Gaming	102 922	92 235	3 125 745	1 795 403
Transport	–	–	461 108	406 751
Properties	378 971	352 017	274 861	257 078
Coal mining	–	–	265 224	208 780
Branded products and manufacturing	132 267	148 801	335 368	240 361
Other	11 171	11 932	(147 537)	(141 578)
Total	640 725	620 049	5 022 525	3 094 251

	Profit/(loss) before tax 31 March		Headline earnings/(loss) 31 March	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Media and broadcasting	580 764	225 421	264 858	83 910
Gaming	2 017 614	53 429	621 893	(20 499)
Hotels	703 806	293 277	(35 233)	(317 763)
Transport	357 286	287 126	218 856	176 457
Properties	62 204	(25 488)	51 703	37 841
Coal mining	230 516	168 797	180 970	119 315
Branded products and manufacturing	184 587	146 640	128 367	95 220
Oil and gas prospecting	23 547	257 682	23 547	266 917
Palladium prospecting	(51 485)	(56 521)	(50 564)	(56 521)
Other	(183 773)	21 069	(335 875)	(152 180)
Total	3 925 066	1 371 432	1 068 522	232 697

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 2022				
Media and broadcasting	3 190 608	–	–	3 190 608
Gaming	942 471	–	–	942 471
Transport	2 078 729	–	–	2 078 729
Properties	167 858	–	–	167 858
Coal mining	1 448 010	–	–	1 448 010
Branded products and manufacturing	2 776 395	46 763	37 143	2 860 301
Other	22 644	–	–	22 644
Total	10 626 715	46 763	37 143	10 710 621
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

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 2022			
Provision of services			
Media and broadcasting	2 949 970	–	2 949 970
Gaming	577 580	364 891	942 471
Transport	1 716 699	333 399	2 050 098
Properties	136 556	31 302	167 858
Other	22 644	–	22 644
Sale of goods			
Media and broadcasting	–	240 638	240 638
Transport	–	28 631	28 631
Coal mining	–	1 448 010	1 448 010
Branded products and manufacturing	65 417	2 794 884	2 860 301
Total	5 468 866	5 241 755	10 710 621
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

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The results for the year ended 31 March 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the disclosure requirements of IAS 34, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the South African Companies Act, 2008, and the Listings Requirements of the JSE Limited.

As required by the JSE Limited Listings Requirements, the company reports headline earnings in accordance with Circular 1/2021: Headline Earnings as issued by the South African Institute of Chartered Accountants.

These financial statements were prepared under the supervision of the financial director, Mr JR Nicolella CA(SA), and have been independently reviewed by the group's auditors.

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 2021.

GOING CONCERN AND IMPACT OF COVID-19 PANDEMIC

COVID-19-related restrictive measures have had a severe impact on the economy and especially the hospitality industry. The operations of the group worst affected have been its gaming and hotel operations, which have been unable to trade for extended periods of time due to government-enforced restrictions. The group's properties division has, to a lesser extent, also been impacted by the reduced ability of its tenant base to comply with its rent obligations, the asset worst affected being the Gallagher exhibition and conference facilities. The remainder of the group's operations has recovered to pre-COVID-19 profitability and have been able to pay dividends to its shareholders.

The company is currently in compliance with its debt covenants in respect of central borrowings. Forecast dividends from the group's gaming operations are expected to recover and management expects debt service obligations on 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, inter alia, agreed to the following measures:

- The waiver of hotel operations' covenant requirements for the measurement periods ending 30 September 2021, 31 March 2022 and 30 September 2022, subject to revised interim covenant measurements. Interim covenants measured during the year and at 31 March 2022 were complied with.
- In respect of gaming operations, the amendment of the net leverage covenant for 30 September 2021, 31 December 2021 and 31 March 2022, subject to certain additional interim covenants, which were met. Gaming operations were in compliance with its original covenants as at the reporting date, resulting in the removal of interim covenants and pricing ratchets.
- 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 Tsogo Sun Hotels. As at the reporting date the company is in compliance with its covenants as they applied before the interim measures were implemented, however, improved prospective security cover ratios have in principle been agreed, subject to the conclusion of the relevant documentation.

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 foreseeable future.

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.

RESTATEMENT OF PRIOR-YEAR RESULTS

As reported previously, the group 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 for which the purchase price allocation was provisional. The recognition of the excess of the group's share of the net fair value of TSH's identifiable assets and liabilities acquired over the cost of its investment has now been finalised. The group has restated its prior-year results as follows:

Loss for the year attributable to equity holders of the parent
As previously stated: R960 million
As restated: R1 023 million

Loss for the year attributable to non-controlling interest
As previously stated: R22 million
As restated: R41 million profit

Basic losses per share
As previously stated: 1 187 cents
As restated: 1 265 cents

Equity attributable to equity holders of the parent
As previously stated: R12 126 million
As restated: R12 063 million

Non-controlling interest
As previously stated: R7 398 million
As restated: R7 461 miilion

Net asset carrying value per share
As previously stated: 14 995 cents
As restated: 14 917 cents

Headline earnings and headline earnings per share were unaffected by the restatement. Opening equity attributable to equity holders of the parent in the prior year was unaffected by the restatement.

FAIR VALUE MEASUREMENT

Investment properties

Gaming

Fair value gains in respect of investment properties relating to gaming operations amounted to R10 million in the current year. The fair values are determined by independent valuers using the income capitalisation method. The significant unobservable inputs were as follows:

- capitalisation rate of 9.3% – 9.5%; and
- vacancy rate of 10% – 15%.

Properties

Downward fair value adjustments to investment properties in respect of properties operations in the current year amounted to R19 million. The fair values were determined by way of internal valuations incorporating the discounted cash flow method. The significant unobservable inputs were as follows:

- net income growth rate of 2.9% – 7.0%;
- terminal capitalisation rate of 8.5% – 11.5%; and
- risk-adjusted discount rate of 13.5% – 17.0%.

Branded products and manufacturing

Downward fair value adjustments to investment properties relating to branded products and manufacturing amounted to R17 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 8.0% – 9.8%;
- vacancy rate of 0% – 6%; 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

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 R814 million at 31 March 2022, a R139 million increase. A discounted cash flow valuation was used to estimate the fair value. The reason for the fair value gain is the improved profitability of operations following the easing of COVID-19-related restrictions.

The significant unobservable inputs used in the fair value measurement of the investment in SunWest and Worcester as at 31 March 2022 are shown below:

- income increases by 45% in the 2023 financial year and then by 3% over the following years;
- operating expenditure increases by 24% in the 2023 financial year, thereafter between 3% and 4% over the following years;
- risk-adjusted discount rate of 14.7% post-tax; and
- long-term growth rate of 4.7%.

IMPAIRMENTS AND IMPAIRMENT REVERSALS

Intangible assets

Impairment reversals of R630 million are in respect of casino licences relating to the group's gaming operations. Following the impairment of certain casino licences in the 2020 financial year and the ongoing impact of COVID-19 on trade, 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'm
Montecasino	336
Silverstar	142
Gold Reef	152
Total	630

However, the slower than expected recovery of trade at certain casino precincts resulted in the following impairments:

	R'm
The Ridge	79
Emnotweni	107
Total	186

The significant unobservable inputs used in the testing of the group's casino licences for impairment as at 31 March 2022 are shown below:

- expected gaming win increases between 14% and 34% in the 2023 financial year and thereafter 3% over the following years;
- operating expenditure increases between 10% and 26% in the 2023 financial year and thereafter between 3% and 4% over the following years;
- risk-adjusted discount rate of 18.5% – 21.0% pre-tax; and
- long-term growth rate of 4.7%.

Investments in associates and joint ventures

The improved trading and the easing of COVID-19-related restrictions is an indicator of a reversal of the prior-year impairment recognised on TSH. The group therefore calculated the recoverable amount of its interest in TSH for a possible impairment reversal.

Forecasts utilised to assess the value in use included conservative assumptions in respect of further trade disruptions.

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 marginally higher than the calculated value in use and the carrying value of the investment was therefore remeasured to the fair value less cost of disposal, resulting in a reversal of impairment of R757 million.

BUSINESS COMBINATIONS AND DISPOSALS

Transport

Frontier Transport Holdings acquired 51% and 100% of Alpine Truck and Bus Proprietary Limited and Frontier Tyres Proprietary Limited, respectively, for a combined R6.5 million during the year.

Properties

The group sold its 100% interest in and loan claims against HCI Westlake Properties Proprietary Limited on 20 December 2021. The group's 65% interest in Olympus Village Proprietary Limited was disposed of on 8 February 2022. The assets and liabilities disposed of were:

	R'm
Non-current assets	362
Current assets	21
Non-current liabilities	(243)
Current liabilities	(16)
Net assets disposed of	124
Non-controlling interest	(21)
Gain on disposal	39
Cash and cash equivalents disposed of	(14)
Net cash inflow	128

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 R5 million and liabilities of R2 million relate to these operations (2021: R10 million and R8 million, respectively).

Gaming

Non-core portions of land and buildings in the amount of R46 million (2021: R59 million) have been classified as disposal group assets held for sale in the current year.

Hotels

Following the deemed disposal of the group's interest in TSH in the prior year, the results of its operations prior to deconsolidation were classified as discontinued operations in the comparative results.

Branded products and manufacturing

Deneb Investments disposed of its interest in Frame Knitting Manufacturers in the current year and its results are included in discontinued operations in the statement of profit or loss in the current and prior years. A property of R43 million is classified as a disposal group asset held for sale in the current year (2021: total assets of R85 million).

Properties

Land with a carrying value of R20 million and a sectional title property with a carrying value of R33 million await sale.

The results of discontinued operations were as follows:

	Media and broadcasting non-core operations R'm	Branded products and manufacturing R'm
Loss after tax before disposal gains and losses	(6)	(4)

RESULTS

GROUP STATEMENT OF PROFIT OR LOSS AND SEGMENTAL ANALYSIS

Income increased by 36% to R19 130 million
EBITDA increased by 62% to R5 023 million
Profit before tax R3 925 million
Headline profit R1 069 million
Headline profit per share 1 321 cents

Media and broadcasting

The television and radio advertising markets have rebounded significantly from activity experienced during the 2021 financial year. The group's television advertising revenue increased by 29%, while its prime time market share increased from 30% to 34%, with increases in both the e.tv channel and the multi-channel operations. The group's licence fee revenue increased by 4% and facility revenue increased by 42%. Active set top boxes have increased to 2 774 000 during the year. EBITDA increased by 116%, with almost half of the revenue gains of R762 million set off by higher programming costs, and normalising staff and marketing costs. Losses from discontinued operations reduced by R25 million, contributing to an increase in headline earnings of 158%.

Gaming

The curfew and remaining capacity restrictions imposed by government still served to limit the recovery of gaming operations during the reporting period, however, trade responded positively to each drop in restriction level, especially net gaming win. Casino revenue and net gaming win combined increased by 57%, that of Vukani by 55% and that of Galaxy Bingo's operations by 49%. EBITDA increased by 74% to R3 126 million, with an impressive EBITDA margin of over 35% achieved during the year. Casino EBITDA increased by 76%, that of Vukani by 72% and that of Galaxy Bingo's operations by 63%. Profit before tax gains were assisted by a reduction of R171 million in finance costs. Headline earnings includes an effective R74 million income relating to the release of deferred tax liability balances upon the substantive enactment of the reduced corporate tax rate.

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 in December 2020, these operations' results were consolidated and included in discontinued operations by the group for the first nine months of the prior year and equity accounted for the remaining three months and in the current year.

Hotel operations continued to be severely impacted by the COVID-19 pandemic and the various forms of restrictions related to it during the year. The effect of the pandemic was exacerbated by the civil unrest experienced in the KwaZulu-Natal and Gauteng regions during July. Total income increased by 133%, following significant increases in both rooms (177%) and food and beverage (172%) revenue, albeit from a low base. South African system-wide rooms sold of 231 000 for March 2022 was the first time since the outbreak of the pandemic that 2020 sales levels have been surpassed. Internally managed rooms sold increased by 163% compared to the prior year, with average occupancy levels for these 30.6% in the current year, compared to 12.2% in the prior year.

Profit before tax of R704 million recognised by the group during the current year includes an effective R28 million impairment charge relating to the Southern Sun Ikoyi and an effective R17 million fair value gain on investment properties. Also included is the reversal of impairment of R757 million detailed above.

Transport

Transport revenue increased by 27%, with the number of passengers of Golden Arrow Bus Service and Sibanye reaching 90% and 95%, respectively, of pre-COVID levels during the latter months of the financial year. EBITDA increased by 13%, tempered by a 34% increase in diesel prices since March 2021. Profit before tax and headline earnings increased by 24%, assisted by a decrease in finance costs of R10 million and stable depreciation, following reduced bus purchases since the start of the COVID-19 pandemic.

Properties

Properties' increase in revenue has significantly been the result of the improvement in trading by Gallagher Estate's convention and conferencing operations, as well as increased recovery income throughout the portfolio. Rental income increased by 8%, the prior year's income affected by the granting of rental relief, the developments most affected being The Point, Kalahari Village Mall and Gallagher Estate. Profit before tax includes R44 million in gains on disposal of properties and subsidiaries, but R36 million in hedge break costs incurred upon the restructuring of certain borrowings facilities. Finance costs increased by R17 million as a result. Also included in profit before tax is R19 million in fair value losses on investment properties. Prior-year losses before tax included downward fair value adjustments to investment properties of R18 million and a loss on disposal of subsidiary of R87 million. Headline earnings was adjusted for the gains on disposal and fair value adjustments.

Coal mining

Revenue increased by 27% at the Palesa Colliery, consisting of a 23% increase in coal revenue and 39% increase in transport revenue. Sales volumes at Palesa increased by 307 000 tons (13%), following a strong performance in the second half of the year. EBITDA increased by 27%, with the gross profit margin on coal sales decreasing slightly due to higher diesel and explosives costs. Profit before tax increased in line with EBITDA. Headline earnings improved by 52%, the increase aided by favourable tax deductions on plant and equipment acquired.

Branded products and manufacturing

Revenue in respect of branded products and manufacturing increased by 17% and property rental income decreased by 11%. Industrial product manufacturing, branded product distribution and automotive parts manufacturing all recorded significant increases in revenue of 23%, 13% and 11%, respectively. Property operations were affected by the sale of one property and the redevelopment of another. EBITDA increased by 40%, assisted by stable gross profit margins across operations and increases in overheads being lower than revenue gains. Net finance costs reduced by R12 million. Profit before tax includes R17 million in downward fair value adjustments on investment properties (2021: R50 million upward adjustment), which were reversed for headline earnings. The reversal of deferred tax assets and the tax rate adjustment resulted in a R41 million increase in recognised tax expense in the current year.

Oil and gas prospecting

During the prior 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. As a consequence of that 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 in the prior year. During the current year Africa Energy (currently 36.4% held by IOG) recognised a fair value adjustment on the loan structure, of which R73 million was effectively included in the group's share of profits of associates and joint arrangements and headline earnings.

Palladium prospecting

Equity losses of R51 million were recognised in the current year and contained no significant headline adjusting items.

Other

EBITDA losses were on par with the prior year, with no significant non-recurring items, the increase in losses occasioned by inflationary increases and the normalisation of salaries in certain businesses since the prior year. Profit before tax in the prior year decreased by R205 million to a loss in the current year. Included in profit before tax in the prior year was 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 and a fair value gain on Montauk Renewables Inc. of R130 million. Head office finance costs decreased from R239 million to R208 million and an investment surplus on disposal and dilution of the group's interest in Platinum Group Metals ("PGM") of R137 million was recognised in the current year. Equity losses in respect of Karoshoek increased by R7 million to R22 million. Included in the current year's headline loss is R208 million head office finance costs, the aforementioned losses from Karoshoek, R12 million in equity-accounted losses from Alphawave Golf, losses of R22 million relating to the group's internal audit function and the remainder being head office and other overheads of the company and La Concorde Holdings.

Notable items on the consolidated income statement include:

Investment income increased mainly due to dividends received by gaming operations.

Finance costs decreased by R200 million, R171 million of the reduction recorded by gaming operations. R17 million less finance costs were incurred by branded products and manufacturing, and head office finance costs decreased by R31 million as a result of reduced borrowings. Properties' finance costs increased by R17 million.

Profits from associates and joint arrangements include R10 million profit from BSG Africa. Equity profits of R24 million were recognised in respect of IOG and equity losses of R53 million in respect of TSH, R51 million in respect of PGM, R22 million in respect of Karoshoek and R12 million in respect of Alphawave Golf. Following the deconsolidation of TSH in December 2020, a gain on bargain purchase of R3 386 million was included in profits from associates and joint arrangements in the prior year.

An investment surplus of R137 million was recognised on the part disposal and dilution of the group's interest in PGM and R44 million in respect of the sale of investment property-related subsidiaries.

R10 million in fair value gains on investment properties were recognised by the group's gaming operations, downward adjustments of R17 million by branded products and manufacturing operations and a net amount of R19 million in downward fair value adjustments by the group's properties division.

Impairment reversals of R630 million relate to gaming operations' casino licences and the remainder to the investment in TSH as detailed above.

Impairments totalling R186 million were recognised in respect of gaming operations' casino licences and the remainder in respect of property, plant and equipment by various entities within the group.

Headline earnings improved by 359%. No shares were repurchased during the current or prior years.

GROUP STATEMENT OF FINANCIAL POSITION

Group non-current borrowings at 31 March 2022 comprise central head office borrowings of R1 745 million, central investment property-related borrowings of R1 769 million (March 2021: R2 083 million), borrowings in TSG of R7 400 million (March 2021: R10 300 million), and the remainder in other operating subsidiaries. R561 million of central head office borrowings is repayable by 30 September 2022 and classified as current. In principle agreement has been reached with funders to refinance this amount. R2 279 million (March 2021: R949 million) in current borrowings relates to TSG, which the group is able to refinance through available facilities. Bank overdraft facilities include R72 million in TSG , R187 million at head office and R14 million in Deneb (March 2021: R58 million, R328 million and R30 million, respectively).

Included in cash flows from investing activities is investments in associates of R145 million, of which R29 million relates to further investment in Alphawave Golf, R23 million in IOG and R92 million in PGM. R537 million was invested in property, plant and equipment, of which R252 million by TSG , R149 million by Deneb and R82 million by eMedia. Net funding of R1 170 million was repaid by TSG , R126 million by eMedia, R153 million by Frontier, R31 million by Deneb and R38 million in central borrowings. Net funding of R81 million was raised by investment property entities.

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

EVENTS SUBSEQUENT TO REPORTING DATE

Other than the non-adjusting events detailed below, the directors are not aware of any matter or circumstance arising between the reporting date and the date of this report that may affect the financial position as at the reporting date or the results for the year then ended, as contained in these condensed financial statements.

Gaming and Hotels

Subject to certain conditions precedent, TSG and its subsidiaries have concluded a separation agreement with regards to the termination of the management of 15 of its hotels by TSH, for a cost of R399 million, and the disposal of its remaining two hotels to the Hospitality Property Fund (a subsidiary of TSH) for a total consideration of R142 million (carrying value R57 million). In terms of the separation agreement the respective management and licence agreements may be cancelled on a month's notice and these hotels will accordingly be incorporated into TSG's own management and operational structure. These transactions are considered related party transactions in terms of the JSE Listings Requirements.

Hotels

As announced by TSH on SENS, its wholly owned subsidiary Southern Sun Africa ("SSA") has entered into a sale agreement on 26 May 2022 with Kasada Albatross Holding ("Kasada"), a subsidiary of Kasada Hospitality Fund LP, for the disposal of its Southern Sun Ikoyi hotel in Nigeria. In terms of the agreement TSH committed to dispose of its entire 75.55% shareholding and shareholder loan claims in Ikoyi Hotels Limited ("Ikoyi"), which owns the hotel.

The total assets and total liabilities of Ikoyi as at 31 March 2022 were US$56 million and US$15 million respectively and TSH's 75.55% share of the net asset value equates to US$31 million.

The aggregate disposal consideration per the agreement is US$30 million, comprising US$29 million for the shares and US$1.3 million for the shareholder loan claims. The successful implementation of the disposal would result in the reduction of TSH's US dollar-denominated debt through the deconsolidation of Ikoyi's external debt of US$13 million and provides SSA with sufficient cash resources to off-set US dollar-denominated debt in Mozambique amounting to US$26.6 million, thereby eliminating foreign exchange risk to TSH. Shareholders are referred to the relevant SENS announcements made by TSH in this regard.

AUDITOR'S REVIEW

These condensed consolidated financial statements for the year ended 31 March 2022 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.

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
27 May 2022

Hosken Consolidated Investments Limited

2022