Hosken Consolidated Investments Limited

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

INCOME	+6.0%
EBITDA	+6.5%
HEADLINE EARNINGS	-21.5%
HEADLINE EARNINGS PER SHARE	-19.7%

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
MSI Gani*
MF Magugu*
SNN Mkhwanazi*
VE Mphande* (Chairman)
JG Ngcobo*
R Watson*

* Independent non-executive

Company secretary:
HCI Managerial Services Proprietary Limited

Registered office:
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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
PO Box 61051, Marshalltown, 2107

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

Website address:
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INVESTMENTS

Tsogo Sun Hotels

Tsogo Sun Gaming

Niveus Investments

eMedia Holdings

Vukani Gaming Corporation

OpenView HD

Golden Arrow Bus Service

HCI Coal

Karoshoek

Deneb Investments

Gallagher Estate

HCI Properties (division)

Impact Oil & Gas

Hosken Passenger Logistics & Rail

Business Systems Group (Africa)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 September 2019 R'000	Unaudited 30 September 2018 R'000	Audited 31 March 2019 R'000
ASSETS			
Non-current assets	**65 366 652**	63 718 883	63 692 254
Property, plant and equipment	**25 981 781**	25 469 438	25 693 836
Right-of-use assets	**1 016 702**	–	–
Investment properties	**10 292 450**	10 216 336	10 053 377
Goodwill	**4 762 677**	4 772 436	4 744 030
Interest in associates and joint arrangements	**2 577 854**	2 089 267	2 469 742
Other financial assets	**1 240 992**	1 445 320	1 367 737
Intangibles	**18 673 234**	18 721 730	18 709 694
Deferred taxation	**581 868**	493 083	428 711
Operating lease equalisation asset	**123 859**	97 855	122 474
Other	**115 235**	413 418	102 653
Current assets	**10 357 034**	9 304 212	8 458 552
Inventories	**1 041 741**	1 194 690	995 207
Programme rights	**886 279**	809 605	792 611
Other financial assets	**28 327**	30 782	15 425
Trade and other receivables	**2 544 890**	2 847 087	2 386 424
Taxation	**80 249**	55 645	88 267
Bank balances and deposits	**5 775 548**	4 366 403	4 180 618
Disposal group assets held for sale	**414 375**	85 721	436 100
Total assets	**76 138 061**	73 108 816	72 586 906
EQUITY AND LIABILITIES			
Equity	**34 881 318**	36 290 729	35 333 734
Equity attributable to equity holders of the parent	**15 935 094**	15 868 482	16 162 393
Non-controlling interest	**18 946 224**	20 422 247	19 171 341
Non-current liabilities	**21 481 075**	24 300 574	25 441 006
Deferred taxation	**7 808 820**	7 663 797	7 762 592
Long-term borrowings	**11 771 517**	15 732 113	16 788 127
Lease liabilities	**1 279 584**	–	–
Operating lease equalisation liability	**250**	245 886	233 175
Provisions	**207 734**	262 612	265 327
Other	**413 170**	396 166	391 785
Current liabilities	**19 619 395**	12 512 531	11 655 863
Trade and other payables	**3 454 973**	3 406 770	3 054 866
Current portion of borrowings	**11 032 226**	4 974 206	4 933 280
Taxation	**190 191**	150 157	167 845
Provisions	**354 779**	356 534	391 285
Bank overdrafts	**4 436 272**	3 465 120	2 907 507
Other	**150 954**	159 744	201 080
Disposal group liabilities held for sale	**156 273**	4 982	156 303
Total equity and liabilities	**76 138 061**	73 108 816	72 586 906
Net asset carrying value per share (cents)	**19 301**	18 476	19 043

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	% change	**Unaudited 30 September 2019 R'000**	Unaudited 30 September 2018* R'000
Revenue**		**7 340 057**	6 880 258
Net gaming win		**5 028 729**	4 798 570
Property rental income**		**497 098**	458 851
Income	6.0%	**12 865 884**	12 137 679
Expenses		**(9 647 455)**	(9 116 429)
EBITDA	6.5%	**3 218 429**	3 021 250
Depreciation and amortisation		**(816 003)**	(749 350)
Operating profit		**2 402 426**	2 271 900
Investment income		**99 557**	124 166
Finance costs		**(1 073 416)**	(918 976)
Share of (losses)/profits of associates and joint arrangements		**(171 531)**	28 680
Investment surplus		**1 049**	11 232
Fair value adjustment on associate on change of control		**9 163**	–
Fair value adjustments of investment properties		**–**	(119 108)
Asset impairments		**(14 163)**	(4 505)
Fair value adjustments of financial instruments		**(10 654)**	27 740
Impairment of goodwill and investments		**(10 986)**	–
Profit before taxation	(13.3%)	**1 231 445**	1 421 129
Taxation		**(436 490)**	(442 408)
Profit for the period from continuing operations		**794 955**	978 721
Discontinued operations		**(25 336)**	(46 083)
Profit for the period		**769 619**	932 638
Attributable to:			
Equity holders of the parent		**242 192**	460 423
Non-controlling interest		**527 427**	472 215
		769 619	932 638

* *Restated*

** *Prior period restated for reclassification of property rental income amounting to R458.9 million from revenue.*

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Unaudited 30 September 2019 R'000	Unaudited 30 September 2018 R'000
Profit for the period	**769 619**	932 638
Other comprehensive income net of tax:		
Items that will subsequently be reclassified to profit or loss		
Foreign currency translation differences	**104 985**	348 970
Cash flow hedge reserve	**(21 844)**	72 931
Items that will not subsequently be reclassified to profit or loss		
Revaluation of owner-occupied land and buildings on transfer to investment properties	**–**	118 151
Fair value adjustments on equity instruments designated at fair value through other comprehensive income	**(114 988)**	–
Total comprehensive income	**737 772**	1 472 690
Attributable to:		
Equity holders of the parent	**269 269**	813 308
Non-controlling interest	**468 503**	659 382
	737 772	1 472 690

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited 30 September 2019 R'000	Unaudited 30 September 2018 R'000
Balance at the beginning of the period*	**35 174 956**	35 643 390
Share capital and premium		
Shares repurchased	**(234 479)**	–
Current operations		
Total comprehensive income	**737 772**	1 472 690
Equity-settled share-based payments	**7 977**	8 024
Acquisition of subsidiaries	**3 663**	–
Disposal of subsidiaries	**4 879**	3 523
Effects of changes in holding	**(152 599)**	(66 075)
Dividends	**(660 851)**	(770 823)
Balance at the end of the period	**34 881 318**	36 290 729

* *Accumulated profits and non-controlling interest as at 1 April 2019 restated by R78.3 million and R80.5 million, respectively, for the adoption of IFRS 16.*

RECONCILIATION OF HEADLINE EARNINGS

	% change	**Unaudited 30 September 2019** Gross R'000	Net R'000	Unaudited 30 September 2018 Gross R'000	Net R'000
Earnings attributable to equity holders of the parent	(47.4%)		**242 192**		460 423
Fair value adjustment on deemed disposal of associate		**(9 163)**	**(5 574)**	–	–
Impairment of goodwill		–	–	16 604	7 043
Losses on disposal of property		–	–	201	145
(Gains)/losses on disposal of plant and equipment		**(11 302)**	**(6 758)**	2 676	1 456
Impairment of property, plant and equipment		**14 203**	**7 074**	5 225	2 180
Losses/(gains) from disposal of subsidiaries		**3 138**	**1 265**	(3 278)	(2 012)
Gain on disposal of associates and joint arrangements		–	–	(11 232)	(4 765)
Impairment of associates and joint arrangements		**10 986**	**5 067**	–	–
Fair value adjustment to investment property		–	–	119 108	35 178
Insurance claim for capital assets		**(4 188)**	**(2 364)**	–	–
Gains on termination of leases		**(532)**	**(189)**	–	–
Remeasurements included in equity-accounted earnings of associates and joint arrangements		**151 048**	**151 048**	(1 060)	(529)
Headline profit	(21.5%)		**391 761**		499 119
Basic earnings per share (cents)					
Earnings	(46.2%)		**288.68**		536.11
Continuing operations			**313.13**		566.68
Discontinued operations			**(24.45)**		(30.57)
Headline earnings per share (cents)	(19.7%)		**466.96**		581.17
Continuing operations			**489.60**		605.10
Discontinued operations			**(22.64)**		(23.93)
Weighted average number of shares in issue ('000)			**83 896**		85 882
Actual number of shares in issue at the end of the period (net of treasury shares) ('000)			**82 560**		85 886
Diluted earnings per share (cents)					
Earnings	(46.0%)		**288.12**		533.24
Continuing operations			**312.52**		563.65
Discontinued operations			**(24.40)**		(30.41)
Headline earnings per share (cents)	(19.4%)		**466.05**		578.06
Continuing operations			**488.65**		601.86
Discontinued operations			**(22.60)**		(23.80)
Weighted average number of shares in issue ('000)			**84 060**		86 344

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 30 September 2019 R'000	Unaudited 30 September 2018 R'000
Cash flows from operating activities	**1 031 076**	661 708
Cash generated by operations	**3 492 676**	3 185 951
Net finance costs	**(987 271)**	(861 296)
Changes in working capital	**(405 849)**	(459 643)
Taxation paid	**(408 065)**	(431 944)
Dividends paid	**(660 415)**	(771 360)
Cash flows from investing activities	**(1 194 772)**	(1 718 873)
Business combinations and disposals	**26 429**	(11 908)
Investments acquired	**(267 464)**	(261 886)
Dividends received	**64 419**	52 090
Decrease in loans and receivables	**14 166**	13 353
Intangible assets acquired	**(27 259)**	(27 720)
Investment properties additions	**(247 265)**	(309 297)
Property, plant and equipment		
– Additions	**(823 946)**	(1 206 324)
– Disposals	**66 148**	32 819
Cash flows from financing activities	**199 623**	208 269
Ordinary shares repurchased	**(234 479)**	–
Other liabilities raised	**–**	632
Transactions with non-controlling shareholders	**(214 639)**	(62 700)
Principal paid on lease liabilities	**(281 386)**	–
Net funding raised	**930 127**	270 337
Increase/(decrease) in cash and cash equivalents	**35 927**	(848 896)
Cash and cash equivalents		
At the beginning of the period	**1 282 652**	1 721 499
Foreign exchange differences	**34 043**	33 727
At the end of the period	**1 352 622**	906 330
Bank balances and deposits	**5 775 548**	4 366 403
Bank overdrafts	**(4 436 272)**	(3 465 120)
Cash in disposal groups held for sale	**13 346**	5 047
Cash and cash equivalents	**1 352 622**	906 330

SEGMENTAL ANALYSIS

	Revenue Unaudited six months ended 30 September		Net gaming win Unaudited six months ended 30 September	
	2019 R'000	2018* R'000	**2019 R'000**	2018* R'000
Media and broadcasting	**1 231 237**	1 187 760	**–**	–
Gaming	**846 752**	821 292	**5 028 729**	4 798 570
Hotels	**1 917 306**	1 873 353	**–**	–
Transport	**1 022 544**	816 072	**–**	–
Properties	**151 628**	127 264	**–**	–
Coal mining	**810 647**	733 290	**–**	–
Branded products and manufacturing	**1 356 062**	1 315 099	**–**	–
Other	**3 881**	6 128	**–**	–
Total	**7 340 057**	6 880 258	**5 028 729**	4 798 570

	Property rental income Unaudited six months ended 30 September		EBITDA Unaudited six months ended 30 September	
	2019 R'000	2018* R'000	**2019 R'000**	2018* R'000
Media and broadcasting	**10 706**	8 253	**229 161**	169 185
Gaming	**72 870**	64 360	**1 979 973**	1 823 508
Hotels	**136 903**	136 860	**470 928**	463 326
Transport	**–**	–	**247 625**	168 246
Properties	**184 169**	160 948	**164 237**	130 600
Coal mining	**–**	–	**102 671**	237 759
Branded products and manufacturing	**87 148**	83 385	**112 015**	91 979
Other	**5 302**	5 045	**(88 181)**	(63 353)
Total	**497 098**	458 851	**3 218 429**	3 021 250

	Profit before tax Unaudited six months ended 30 September		Headline earnings Unaudited six months ended 30 September	
	2019 R'000	2018* R'000	**2019 R'000**	2018* R'000
Media and broadcasting	**164 155**	101 949	**57 319**	23 156
Gaming	**1 004 039**	1 092 504	**362 208**	371 669
Hotels	**138 648**	1 904	**16 682**	19 883
Transport	**188 463**	119 179	**97 743**	57 605
Properties	**75 253**	46 322	**57 366**	31 922
Coal mining	**65 341**	194 630	**34 355**	141 470
Branded products and manufacturing	**15 648**	30 816	**(8 283)**	9 297
Oil and gas prospecting	**(167 825)**	(5 027)	**(16 777)**	(5 027)
Palladium prospecting	**(23 360)**	–	**(23 360)**	–
Other**	**(228 917)**	(161 148)	**(185 492)**	(150 856)
Total	**1 231 445**	1 421 129	**391 761**	499 119

* *Restated*
** *Results for the prior period restated for reclassification of oil and gas prospecting segment.*

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The results for the six months ended 30 September 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS), the disclosure requirements of IAS 34, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the requirements of the South African Companies Act, 2008 and the Listings Requirements of the JSE Limited.

As required by the JSE Limited Listings Requirements, the company reports headline earnings in accordance with Circular 4/2018: Headline Earnings as issued by the South African Institute of Chartered Accountants.

These financial statements were prepared under the supervision of the financial director, Mr JR Nicolella CA(SA), and have neither been audited nor independently reviewed by the group's auditors.

The accounting policies applied by the group in the preparation of these condensed consolidated interim financial statements are consistent with those applied by the group in its consolidated financial statements for the year ended 31 March 2019, except for the adoption of IFRS 16 Leases in the current period.

Adoption of IFRS 16 Leases

The group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 April 2019), without restatement of comparative figures. The group elected to apply the practical expedient to not reassess whether a contract is, or contains, a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- a single discount rate was applied to a portfolio of leases with reasonably similar characteristics;
- initial direct costs were excluded from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date; and
- the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application was applied.

The group has further elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets based on the value of the underlying asset when new.

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 April 2019:

	R'million
Right-of-use assets	1 102
Transfer of IAS 17 finance lease assets from property, plant and equipment at 1 April 2019	(6)
Deferred tax assets	60
Lease liabilities	(1 601)
Transfer of IAS 17 finance lease liabilities from borrowings at 1 April 2019	6
Lease smoothing accrual reversal	280
Restatement of equity as at 1 April 2019	(159)
Equity restated as follows:	
Retained earnings	(78)
Non-controlling interest	(81)
	(159)

Right-of-use assets were measured at the carrying value that would have resulted from IFRS 16 being applied from the commencement date of the leases, subject to the practical expedients noted above.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the group's incremental borrowing rates as at 1 April 2019. The group's incremental borrowing rates are the rates at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted average rates applied were between 8.75% and 12.29%.

The following table reconciles the minimum lease commitments disclosed in the group's 31 March 2019 annual financial statements to the amount of lease liabilities recognised on 1 April 2019:

	R'million
Minimum operating lease commmitment at 31 March 2019	**2 577**
Less: short-term leases not recognised under IFRS 16	**(27)**
Less: low-value leases not recognised under IFRS 16	**(15)**
Less: intangibles not capitalised	**(12)**
Less: other sundry adjustments	**(7)**
Plus: lease modifications	**29**
Plus: effect of extension options reasonably certain to be exercised	**184**
Plus: effect of options to purchase reasonably certain to be exercised	**31**
Undiscounted lease payments	**2 760**
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	**(1 165)**
Lease liabilities recognised at 1 April 2019	**1 595**
Plus: transfer of IAS 17 finance lease liabilities from borrowings at 1 April 2019	**6**
Lease liabilities at 1 April 2019	**1 601**

Included in profit or loss for the period are R72 million of depreciation and amortisation on right-of-use assets and R84 million of finance costs on lease liabilities. Short-term and low-value leases included in other operating expenses and income for the period were R21 million and R11 million respectively. Lease payments of R165 million were recognised in respect of lease liabilities.

Financial asset at fair value through other comprehensive income

During the 2017 financial year the group entered into a transaction with Sun International Limited (SI) and Grand Parade Investments Limited (GPI) for the acquisition of 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 R1.1 billion at 30 September 2019, a R149 million decrease. A discounted cash flow valuation was used to estimate the fair value. The valuation model considered the present value of net cash flows to be generated from SunWest and Worcester, together with their operating capital expenditure. The expected net cash flows were discounted using a risk-adjusted discount rate.

The significant unobservable inputs used in the fair value measurement of the group's investment in SunWest and Worcester as at 30 September 2019 are shown below. A change in the assumption used for expected gaming win growth is accompanied by a directionally similar pro rata change in operating expenditure cost growth.

- Expected gaming win growth between 3.7% and 5.4% (31 March 2019: 3.1% and 6.8%)
- Operating expenditure cost growth between 4.0% and 5.3% (31 March 2019: 5.3% and 5.6%)
- Risk-adjusted discount rate of 13.9% (31 March 2019: 11.5%)
- Long-term growth rate of 5.3% (31 March 2019: 5.3%)

RECLASSIFICATION OF PRIOR PERIOD RESULTS

In accordance with IFRS 15, property rental income does not meet the definition of revenue and should be excluded from revenue in the statement of profit or loss. As a result, the following reclassification was recognised in the prior comparative period statement of profit or loss:

Revenue decreased by R459 million
Property rental income increased by R459 million

Gaming and hotels

Following Tsogo Sun Holdings' (subsequently renamed to Tsogo Sun Gaming) unbundling and separate listing of its hotel interests during June 2019, the results of Tsogo Sun Gaming and Tsogo Sun Hotels have been reported separately under gaming and hotels, respectively. Comparative segmental results have been reclassified accordingly. The effective shareholding of the group in these entities remained the same following the unbundling.

Oil and gas prospecting and palladium prospecting

The prior period comparative results of Impact Oil and Gas and Platinum Group Metals have been reclassified to the oil and gas prospecting and palladium prospecting segments, respectively.

DISCONTINUED OPERATIONS AND DISPOSAL GROUPS HELD FOR SALE

Media and broadcasting

The results of certain non-core local and offshore operations are included in the media and broadcasting segment and are included in discontinued operations in the current and prior comparative periods. Disposal group assets of R7 million and liabilities of R3 million relate to these operations.

Branded products and manufacturing

During the prior year the board of Deneb Investments resolved to dispose of its interests in Winelands Textiles, Frame Knitting Manufacturers, First Factory Shops and Brand ID. The results of the operations of these divisions are included in discontinued operations in the statement of profit or loss in the current and prior comparative periods and the assets of R358 million and liabilities of R131 million classified as disposal groups in the current period (R393 million and R139 million as at 31 March 2019, respectively).

Gaming

Niveus Investments initiated the process to dispose of its online and retail sports betting interests during March 2019. As a result, the assets of R50 million and liabilities of R22 million (assets of R37 million and liabilities of R15 million as at 31 March 2019) of these operations have been classified as disposal groups held for sale and their results in discontinued operations in the current and prior comparative period.

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

	Media and broadcasting non-core operations	Branded products and manufacturing	Gaming non-core operations
(Loss)/profit after tax before disposal	(2)	(24)	5
Loss on disposal	(4)	–	–

BUSINESS COMBINATIONS

Transport

The group acquired an additional 33.33% of the issued share capital of Sibanye Bus Services Proprietary Limited (Sibanye) for R27 million, effective 1 April 2019, increasing its holding in the company to 66.66%.

The acquisition resulted in revenue increasing by R48 million in the current period and profit after tax increasing by R10 million. Goodwill of R19 million arose on acquisition and can be attributed to the benefits of expected synergies and revenue growth.

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

	R'million
Property, plant and equipment	59
Current assets	48
Non-current liabilities	(35)
Current liabilities	(20)
Net assets acquired	52
Non-controlling interest	(17)
Fair value of interest previously held	(27)
Goodwill	19
Purchase consideration	27

Other

The trust deed of the HCI Foundation was amended effective 28 May 2019, resulting in the group acquiring effective control of the trust. No consideration was paid in respect of the business combination. The fair value of net assets acquired, for which the purchase price allocation is final, is as follows:

	R'million
Non-current assets	35
Current assets	1
Current liabilities	(49)
Net liabilities acquired	(13)
Non-controlling interest	13

The business combination resulted in no increase in revenue in the current period and a decrease in profit after tax of R28 million. Had the business combination been effective on 1 April 2019, there would have been no increase in revenue and profit after tax would have decreased by R47 million.

RESULTS

GROUP INCOME STATEMENT AND SEGMENTAL ANALYSIS

Income increased by 6.0% to R12 866 million

EBITDA increased by 6.5% to R3 218 million

Profit before tax decreased by 13.3% to R1 231 million

Headline earnings decreased by 21.5% to R392 million

Headline earnings per share decreased by 19.7% to 467 cents per share

Media and broadcasting

A 7% increase in advertising revenue was recorded in a difficult television advertising environment. Licence fee revenue increased by 3%. Property and facility and content revenue increased by a combined 6%. EBITDA increased by 35%, assisted by a decrease of 23% in marketing costs following reduced subsidies on set top boxes, a 1% decrease in signal distribution costs and general cost control. EBITDA includes losses of R81 million in respect of the multi-channel and OVHD businesses, which increased revenue from R58 million to R94 million in the current period. Active set top boxes have increased from 1 432 521 in the prior comparative period to 1 777 784 at this period-end. Profit before tax increased by R62 million (61%), the aforementioned EBITDA increase aided by a combined decrease in depreciation and finance costs of R9 million. Headline earnings attributable to the group increased by 148%, with losses from discontinued operations (excluding non-recurring items) decreasing significantly from R11 million in the prior comparative period to R2 million in the current period and the company incurring a reduced effective rate of tax in the current period.

Gaming

Overall net gaming win increased by 5%, with casino gaming win increasing by 2.5%. Vukani net gaming win increased by 11% and that of Galaxy Bingo's operations by 17%. Adjusting for the adoption of IFRS 16, EBITDA increased approximately 4% over the prior comparative period. Depreciation and amortisation increased by R76 million and finance costs by R210 million, resulting in a profit before tax decline of 8%.

Hotels

Hotels revenue increased by 2%. SA-owned properties increased revenue by 4%, aided by trading in the Western Cape, which was significantly affected by the drought in the prior year. Offshore hotel revenue was stagnant. EBITDA increased marginally, with reduced rentals on adoption of IFRS 16 being off-set by reduced operational profitability and restructure costs in the current period. Profit before tax increased by R137 million, a downward fair value adjustment on investment properties of R119 million being included in the prior comparative period. Contribution to headline earnings decreased by 16% to R17 million.

Transport

Transport revenue increased by 25%. A prolonged bus driver strike during April and May 2018 did not recur during the current period. EBITDA increased by 47%, with EBITDA margin improving to 24%. Profit before tax increased by 58%, with a reduction in depreciation of R14 million, following the change in estimated useful lives of buses at the end of the previous financial year, being off-set by a reduction in interest earned of a similar amount. Headline earnings attributed to the group was enhanced by the group's 4% increase in interest in Hosken Passenger Logistics and Rail in the current period.

Properties

Properties' combined revenue and rental income increased by 17% due to new development revenue of R8 million from Solly Sachs House and R13 million from the newly established catering operations at the Gallagher Convention Centre, with annual escalations and tenanting efficiencies in the rest of the portfolio responsible for the remaining increase. EBITDA increased by 26%, with EBITDA margin increasing slightly from 45% to 49% following further tenanting in the Solly Sachs House, The Palms and Blue Hills developments. Profit before tax was enhanced by the Solly Sachs House, Shell House, Blue Hills and The Palms developments producing combined profits of R12 million in the current period, as opposed to losses of R10 million in the prior comparative period. No fair value adjustments on investment properties were recognised in the current or prior comparative period.

Coal mining

Increased revenue was recorded at the Palesa Colliery following an increase in transport revenue, as well as the sale price and volumes of coal in terms of the Eskom offtake agreement finalised in the previous year. Sales volumes at Palesa increased by 338 000 tons (29%) following the appointment of a new mining contractor. Revenue decreased by 66% and sales volumes by 53% to 239 000 tons at the Mbali Colliery. Volumes were affected by community unrest and the cancellation of the mining contractor agreement. A new contractor was appointed during the period; however, mining volumes, dispatching of coal and sales prices remain under pressure. Average sales prices achieved at the Mbali Colliery were 29% lower than the prior comparative period. EBITDA decreased by 57%, mainly as a result of the decrease in sales volumes and prices achieved at the Mbali Colliery. EBITDA margins at the Palesa Colliery increased from 19% to 21%. Following the deteriorated performance at the Mbali Colliery, EBITDA losses of R35 million were recorded as opposed to profits of R167 million in the prior comparative period. Headline earnings decreased to a larger extent than profit before tax due to a deferred tax asset not being recognised on losses incurred at the Mbali Colliery.

Branded products and manufacturing

Branded products and manufacturing increased revenue by 3% and property rental income by 5%, with growth in revenue attributable mostly to Formex and the toy and baby product distribution businesses. EBITDA increased by 22%, positively impacted by the adoption of IFRS 16 in the current period. The increase in EBITDA was offset by an increase in finance costs of R18 million and depreciation of R19 million, R8 million and R9 million of the respective increases due to the adoption of IFRS 16. Losses from discontinued operations increased by R9 million in the current period.

Oil and gas prospecting

Equity losses in respect of Impact Oil and Gas increased from the prior comparative period's R5 million to R168 million in the current period, which includes an effective R151 million impairment loss. The impairment loss is in respect of the relinquishment of an exploration licence in Gabon.

Palladium prospecting

Equity losses of R23 million were recognised in the current period and contained no significant headline adjusting items.

Other

EBITDA losses increased by R25 million in the current period, losses of R17 million of the HCI Foundation being included for the first time in the current period. Losses before tax increased by R68 million compared to the prior comparative period. The increase in losses is partly attributable to equity losses of R17 million being recognised for the first time in respect of Karoshoek, as well as losses of R28 million in respect of the HCI Foundation (R10 million of which is a fair value adjustment on financial instruments). Included in the current period's headline loss is R116 million head office finance costs, the aforementioned losses from Karoshoek and R12 million in costs relating to the group's internal audit function, the remainder being head office and other overheads of the company, Niveus Investments and La Concorde Holdings.

Notable items on the consolidated income statement include:

Depreciation and amortisation increased by R67 million, the impact of the adoption of IFRS 16 being an increase of R72 million in the current period.

Investment income decreased by R25 million. R14 million less was earned by Hosken Passenger Logistics and Rail subsequent to special distributions declared in the prior year. R8 million less interest was earned by the Tsogo Sun entities during the period following reduced average cash balances.

Finance costs increased by R132 million in Tsogo Sun Gaming and Tsogo Sun Hotels combined, R7 million in properties and R11 million in branded products and manufacturing. To be noted is that R84 million of the total increase for the group in the current period relates to the adoption of IFRS 16.

Losses from associates and joint ventures include R7 million profit from BSG Africa, R21 million profit from International Hotel Properties and Redefine BDL, R168 million in losses from IOG, and R17 million and R23 million in losses from Karoshoek and Platinum Group Metals, respectively.

Fair value adjustments of financial instruments of R10 million was recognised on investments by the HCI Foundation and an impairment loss of R11 million recognised by La Concorde Holdings on an investment in a bottling plant.

The average taxation rate, including once-off items, equalled 35% in the current period. Normalising profit before tax for equity losses recognised at head office results in a rate of approximately 30%.

Headline earnings decreased by 21.5%. Headline earnings per share decreased by 19.7%. The weighted average number of shares in issue in the prior period of 85 882 000 was reduced to 83 896 000 in the current period due to the general repurchase of 2 314 000 shares during the current period, which resulted in the discrepancy between the gross and per share profit increase.

GROUP STATEMENT OF FINANCIAL POSITION AND CASH FLOW

Group non-current borrowings at 30 September 2019 comprise central borrowings of R2 355 million, of which R1 584 million was classified as current as at 31 March 2019 and subsequently refinanced, central investment property-related borrowings of R2 053 million, borrowings in Tsogo Sun Gaming and Tsogo Sun Hotels of R3 499 million and R2 680 million, respectively, and the remainder in other operating subsidiaries. Included in the current portion of borrowings is R1 005 million central borrowings, and R8 284 million and R930 million in current borrowings in Tsogo Sun Gaming and Tsogo Sun Hotels, respectively, the Tsogo Sun Gaming borrowings currently in the process of being refinanced to longer-term facilities. Bank overdraft facilities include R3 539 million in Tsogo Sun Gaming, R508 million at head office and R381 million in Deneb.

Included in cash flows from investing activities is investment in associates of R267 million, of which R223 million relates to further investment in Platinum Group Metals. Net expenditure on investment properties amounted to R247 million. R824 million was invested in property, plant and equipment, of which R622 million by the Tsogo Sun entities. Included in cash flows from financing activities is shares repurchased in the amount of R234 million. R105 million was paid by Hosken Passenger Logistics and Rail to purchase non-controlling shareholders' interests in subsidiaries, with further expenditure of R110 million on purchasing non-controlling interests throughout the group. Net funding of R368 million was raised at head office and R558 million at the Tsogo Sun entities.

Shareholders are referred to the individually published results of eMedia Holdings Limited, Tsogo Sun Gaming Limited, Tsogo Sun Hotels Limited, Niveus Investments 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.

DISPUTES

The company was awarded a final award in respect of its litigation with Ithuba Holdings (RF) Proprietary Limited and certain of its associated entities. The respondent has sought a review of the award, which will be heard during March 2020.

CHANGES IN DIRECTORATE

Ms CC September and Dr LM Molefi resigned as independent non-executive directors effective 22 May 2019. Mr JR Nicolella was appointed as an executive director on 22 May 2019, replacing Mr TG Govender, who has remained as an executive director, as financial director on 1 August 2019. Ms SNN Mkhwanazi was appointed as an independent non-executive director effective 2 September 2019.

DIVIDEND TO SHAREHOLDERS

The directors of HCI have resolved to declare an interim ordinary dividend number 60 of 55 cents (gross) per HCI share for the six months ended 30 September 2019 from income reserves. The salient dates for the payment of the dividend are as follows:

Last day to trade cum dividend	Tuesday, 10 December 2019
Commence trading ex dividend	Wednesday, 11 December 2019
Record date	Friday, 13 December 2019
Payment date	Tuesday, 17 December 2019

No share certificates may be dematerialised or rematerialised between Wednesday, 11 December 2019 and Friday, 13 December 2019, both dates inclusive.

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

- The local DT rate is 20%.
- The number of ordinary shares in issue at the date of this declaration is 90 126 648.
- The DT amounts to 11 cents per share.
- The net local dividend amount is 44 cents per share for all shareholders who are not exempt from the DT.
- Hosken Consolidated Investments Limited's income tax reference number is 9050/177/71/7.

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

For and on behalf of the board of directors

JA Copelyn
Chief Executive Officer

JR Nicolella
Financial Director

Cape Town
21 November 2019

www.hci.co.za

Hosken Consolidated Investments Limited