UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

Hosken Consolidated Investments Limited

2022

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:
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PO Box 5251, Cape Town, 8000
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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
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

Southern Sun

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 September 2022 R'000	Unaudited 30 September 2021* R'000	Audited 31 March 2022 R'000
ASSETS			
Non-current assets	42 455 396	39 797 160	40 858 036
Property, plant and equipment	16 196 054	16 279 574	16 046 945
Right-of-use assets	296 860	324 073	324 184
Investment properties	5 125 118	5 066 800	5 067 831
Goodwill	3 868 505	3 871 864	3 868 505
Investments in associates and joint arrangements	5 558 803	3 563 107	4 458 953
Other financial assets	1 476 270	1 108 791	1 089 791
Intangible assets	9 613 070	9 151 270	9 576 591
Deferred taxation	241 136	350 944	333 566
Other	79 580	80 737	91 670
Current assets	6 546 535	5 587 301	6 216 240
Inventories	1 085 993	686 560	899 661
Programme rights	970 440	982 686	978 651
Other financial assets	6 929	5 565	92 963
Trade and other receivables	2 035 964	1 868 545	1 842 038
Taxation	113 579	65 174	93 340
Bank balances and deposits	2 333 630	1 978 771	2 309 587
Disposal group assets held for sale	211 002	541 246	147 240
Total assets	49 212 933	45 925 707	47 221 516
EQUITY AND LIABILITIES			
Equity	24 993 359	20 115 141	22 827 423
Equity attributable to equity holders of the parent	16 021 076	12 452 870	14 320 224
Non-controlling interest	8 972 283	7 662 271	8 507 199
Non-current liabilities	17 990 182	19 145 871	17 526 260
Deferred taxation	4 667 364	4 637 702	4 687 525
Borrowings	12 500 458	13 557 285	11 974 360
Lease liabilities	379 762	362 520	399 063
Provisions	71 400	87 126	72 431
Other	371 198	501 238	392 881
Current liabilities	6 205 927	6 402 435	6 866 068
Trade and other payables	2 687 587	2 434 680	2 709 143
Current portion of borrowings	2 686 798	3 077 599	3 586 404
Taxation	68 651	65 430	44 045
Provisions	175 305	177 345	188 071
Bank overdrafts	530 846	608 909	273 108
Other	56 740	38 472	65 297
Disposal group liabilities held for sale	23 465	262 260	1 765
Total equity and liabilities	49 212 933	45 925 707	47 221 516
Net asset carrying value per share (cents)	19 811	15 399	17 708

* *Restated*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	% change	Unaudited 30 September 2022 R'000	Unaudited 30 September 2021* R'000
Revenue		6 182 090	4 980 554
Net gaming win		4 670 380	3 331 613
Property rental income		336 523	320 889
Income	29.6%	11 188 993	8 633 056
Expenses		(8 672 518)	(6 498 969)
EBITDA	17.9%	2 516 475	2 134 087
Depreciation and amortisation		(587 303)	(586 408)
Operating profit		1 929 172	1 547 679
Investment income		165 506	44 360
Finance costs		(593 647)	(704 167)
Equity-accounted earnings/(losses) of associates and joint arrangements		83 103	(124 619)
Investment surplus		133 735	33 500
Asset impairments		(12 355)	(10 060)
Fair value adjustments on financial instruments		192 504	9 059
Profit before taxation	138.5%	1 898 018	795 752
Taxation		(407 233)	(303 860)
Profit for the period from continuing operations		1 490 785	491 892
Discontinued operations		(711)	(3 415)
Profit for the period		1 490 074	488 477
Attributable to:			
Equity holders of the parent		958 567	241 082
Non-controlling interest		531 507	247 395
		1 490 074	488 477

* *Restated*

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Unaudited 30 September 2022 R'000	Unaudited 30 September 2021* R'000
Profit for the period	**1 490 074**	488 477
Other comprehensive income net of tax:		
Items that will subsequently be reclassified to profit or loss		
Foreign currency translation differences	**593 417**	41 965
Cash flow hedge reserve	**89 474**	69 625
Share of other comprehensive income of equity-accounted investments	**126 821**	31 504
Reclassification of equity-accounted foreign currency translation and hedging reserves on disposal and dilution of interests in associates and joint arrangements	**–**	344
Items that will not subsequently be reclassified to profit or loss		
Fair value adjustments on equity instruments designated at fair value through other comprehensive income	**374**	63 712
Total comprehensive income	**2 300 160**	695 627
Attributable to:		
Equity holders of the parent	**1 710 998**	381 141
Non-controlling interest	**589 162**	314 486
	2 300 160	695 627

* *Restated*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited 30 September 2022 R'000	Unaudited 30 September 2021* R'000
Balance at the beginning of the period	**22 827 423**	19 524 296
Current operations		
Total comprehensive income	**2 300 160**	695 627
Equity-settled share-based payments	**12 821**	14 232
Share of direct equity movements of equity-accounted investments	**4 492**	7 378
Disposal of subsidiaries	**–**	1 237
Effects of changes in holding	**(28 898)**	(80 852)
Dividends to non-controlling shareholders of subsidiaries	**(122 639)**	(46 777)
Balance at the end of the period	**24 993 359**	20 115 141

* *Restated*

RECONCILIATION OF HEADLINE EARNINGS

	% change	Unaudited 30 September 2022 Gross R'000	Unaudited 30 September 2022 Net R'000	Unaudited 30 September 2021* Gross R'000	Unaudited 30 September 2021* Net R'000
Earnings attributable to equity holders of the parent	297.6%		958 567		241 082
Losses/(gains) on disposal of property		16 020	(1 925)	(1 101)	(481)
Gains on disposal of plant and equipment		(73)	(498)	(3 329)	(1 486)
Impairment of property, plant and equipment		12 355	6 727	11 215	9 004
Losses from disposal of subsidiaries		–	–	1 467	1 253
Gains on disposal and dilution of interests in associates and joint arrangements		(39 854)	(39 854)	(27 630)	(27 630)
Impairment of intangible assets		–	–	6 197	2 425
Gains on disposal of investment properties		(13 881)	(10 878)	(6 712)	(4 764)
Insurance claims for capital assets		(17 981)	(11 441)	(917)	(543)
Remeasurements included in equity-accounted earnings of associates and joint arrangements		(38)	1 301	285	255
Headline earnings	311.7%		901 999		219 115
Basic earnings per share (cents)					
Earnings	297.6%		1 185.32		298.11
Continuing operations			1 185.80		302.22
Discontinued operations			(0.48)		(4.11)
Headline earnings per share (cents)	311.7%		1 115.37		270.95
Continuing operations			1 115.85		266.52
Discontinued operations			(0.48)		4.43
Weighted average number of shares in issue ('000)			80 870		80 870
Actual number of shares in issue at the end of the period (net of treasury shares) ('000)			80 870		80 870
Diluted earnings per share (cents)					
Earnings	289.8%		1 161.91		298.11
Continuing operations			1 162.38		302.22
Discontinued operations			(0.47)		(4.11)
Headline earnings per share (cents)	303.5%		1 093.34		270.95
Continuing operations			1 093.81		266.52
Discontinued operations			(0.47)		4.43
Weighted average number of shares in issue ('000)			82 499		80 870

** Restated*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 30 September 2022 R'000	Unaudited 30 September 2021 R'000
Cash flows from operating activities	1 188 292	727 112
Cash generated by operations	2 711 212	2 216 191
Net finance costs	(469 781)	(1 058 639)
Changes in working capital	(534 517)	(185 517)
Taxation paid	(401 811)	(202 674)
Dividends paid to non-controlling shareholders of subsidiaries	(116 811)	(42 249)
Cash flows from investing activities	(932 785)	(233 059)
Business combinations and disposals	(316 652)	(73)
Net investments acquired	(313 615)	(14 325)
Dividends received	56 371	15 329
Loans and receivables repaid/(advanced)	78 904	(981)
Proceeds from insurance claims for capital assets	5 042	–
Intangible assets		
– Additions	(55 876)	(602)
Investment properties		
– Additions	(108 441)	(65 759)
– Disposals	35 152	27 884
Property, plant and equipment		
– Additions	(482 094)	(228 510)
– Disposals	168 424	33 978
Cash flows from financing activities	(464 011)	(441 128)
Other liabilities raised/(repaid)	553	(2)
Transactions with non-controlling shareholders	(28 171)	(88 594)
Principal paid on lease liabilities	(32 607)	(34 681)
Net funding repaid	(403 786)	(317 851)
(Decrease)/increase in cash and cash equivalents	(208 504)	52 925
Cash and cash equivalents		
At the beginning of the period	2 036 768	1 341 695
Foreign exchange differences	1 561	1 063
At the end of the period	1 829 825	1 395 683
Bank balances and deposits	2 333 630	1 978 771
Bank overdrafts	(530 846)	(608 909)
Cash in disposal groups held for sale	27 041	25 821
Cash and cash equivalents	1 829 825	1 395 683

SEGMENTAL ANALYSIS

	Revenue Unaudited six months ended 30 September 2022 R'000	Revenue 2021* R'000	Net gaming win Unaudited six months ended 30 September 2022 R'000	Net gaming win 2021 R'000
Media and broadcasting	1 522 727	1 491 193	–	–
Gaming	713 363	359 362	4 670 380	3 331 613
Transport	1 165 770	1 013 049	–	–
Properties	113 332	84 930	–	–
Coal mining	1 141 108	717 967	–	–
Branded products and manufacturing	1 508 961	1 306 632	–	–
Other	16 829	7 421	–	–
Total	6 182 090	4 980 554	4 670 380	3 331 613

** Restated*

	Property rental income Unaudited six months ended 30 September 2022 R'000	Property rental income 2021 R'000	EBITDA Unaudited six months ended 30 September 2022 R'000	EBITDA 2021* R'000
Media and broadcasting	7 753	8 142	281 742	325 001
Gaming	71 577	51 517	1 503 245	1 293 286
Transport	–	–	192 524	214 653
Properties	182 239	190 457	145 344	141 207
Coal mining	–	–	300 457	133 859
Branded products and manufacturing	67 383	66 571	184 966	127 032
Other	7 571	4 202	(91 803)	(100 951)
Total	336 523	320 889	2 516 475	2 134 087

** Restated*

	Profit/(loss) before tax Unaudited six months ended 30 September 2022 R'000	Profit/(loss) before tax 2021* R'000	Headline earnings/(loss) Unaudited six months ended 30 September 2022 R'000	Headline earnings/(loss) 2021* R'000
Media and broadcasting	222 330	262 145	92 708	117 947
Gaming	802 542	453 652	304 060	157 562
Hotels	130 855	(70 377)	123 563	(62 809)
Transport	144 815	161 823	85 684	94 664
Properties	81 529	26 888	39 876	13 297
Coal mining	282 632	117 688	224 512	85 233
Branded products and manufacturing	106 538	60 606	61 022	38 561
Oil and gas prospecting	(21 481)	(16 044)	(21 481)	(16 044)
Palladium prospecting	(9 432)	(26 665)	(9 432)	(26 665)
Other	157 690	(173 964)	1 487	(182 631)
Total	1 898 018	795 752	901 999	219 115

** Restated*

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
30 September 2022				
Media and broadcasting	1 522 727	–	–	1 522 727
Gaming	713 363	–	–	713 363
Transport	1 165 770	–	–	1 165 770
Properties	113 332	–	–	113 332
Coal mining	1 141 108	–	–	1 141 108
Branded products and manufacturing	1 466 198	32 061	10 702	1 508 961
Other	16 829	–	–	16 829
Total	6 139 327	32 061	10 702	6 182 090
30 September 2021*				
Media and broadcasting	1 491 193	–	–	1 491 193
Gaming	359 362	–	–	359 362
Transport	1 013 049	–	–	1 013 049
Properties	84 930	–	–	84 930
Coal mining	717 967	–	–	717 967
Branded products and manufacturing	1 256 395	20 339	29 898	1 306 632
Other	7 421	–	–	7 421
Total	4 930 317	20 339	29 898	4 980 554

* *Restated*

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
30 September 2022			
Provision of services			
Media and broadcasting	1 422 266	7 832	1 430 098
Gaming	442 504	270 859	713 363
Transport	918 668	226 179	1 144 847
Properties	65 488	47 844	113 332
Other	16 829	–	16 829
Sale of goods			
Media and broadcasting	–	92 629	92 629
Transport	–	20 923	20 923
Coal mining	–	1 141 108	1 141 108
Branded products and manufacturing	37 707	1 471 254	1 508 961
Total	2 903 462	3 278 628	6 182 090
30 September 2021*			
Provision of services			
Media and broadcasting	1 393 572	9 157	1 402 729
Gaming	223 637	135 725	359 362
Transport	841 537	150 902	992 439
Properties	71 370	13 560	84 930
Other	7 421	–	7 421
Sale of goods			
Media and broadcasting	–	88 464	88 464
Transport	–	20 610	20 610
Coal mining	–	717 967	717 967
Branded products and manufacturing	25 603	1 281 029	1 306 632
Total	2 563 140	2 417 414	4 980 554

* *Restated*

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The results for the six months ended 30 September 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 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 financial statements are consistent with those applied by the Group in its consolidated financial statements for the year ended 31 March 2022.

GOING CONCERN AND IMPACT OF COVID-19 PANDEMIC

COVID-19-related restrictive measures had a severe impact on the economy and especially the hospitality industry. The operations of the Group worst affected were its gaming and hotel operations, which were unable to trade normally for extended periods of time during the 2021 and 2022 financial periods. The Group's properties division has, to a lesser extent, also been impacted, the asset worst affected being the Gallagher exhibition and conference facilities. The remainder of the Group's operations have 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. Improved security cover ratios were agreed with funders during the period under review.

Gaming operations were in compliance with its original covenants as at the reporting date. Dividends from these operations have resumed.

Hotel operations' funders have agreed to relaxed covenant requirements for the measurement period ending 30 September 2022, which were complied with. Updated covenants of a maximum leverage ratio of 4.5, minimum interest cover ratio of 2 and minimum liquidity levels of R500 million until 31 March 2023 have been agreed.

In preparing the cash flow forecasts utilised to assess going concern, the residual 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.

RESTATEMENT OF PRIOR-YEAR RESULTS

As reported previously, the Group was considered to have lost control of Southern Sun Limited ("SSU"; previously Tsogo Sun Hotels) during December 2020, resulting in the Group being deemed to have disposed of its interest in SSU and acquiring an associate interest in same for which the purchase price allocation remained provisional as at 30 September 2021. The recognition of the excess of the Group's share of the net fair value of SSU's identifiable assets and liabilities acquired over the cost of its investment was finalised prior to the 31 March 2022 financial year-end. The Group has therefore restated its prior comparative period results as follows:

Profit for the period attributable to equity holders of the parent
As previously stated: R244 million
As restated: R241 million

Headline profit for the period
As previously stated: R223 million
As restated: R219 million

Basic earnings per share
As previously stated: 302 cents
As restated: 298 cents

Headline earnings per share
As previously stated: 275 cents
As restated: 271 cents

Closing equity attributable to equity holders of the parent
As previously stated: R12 519 million
As restated: R12 453 million

Opening 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 600 million
As restated: R7 662 million

Net asset carrying value per share
As previously stated: 15 481 cents
As restated: 15 399 cents

FAIR VALUE MEASUREMENT

Financial asset at fair value through other comprehensive income

The Group's 20% equity interests in SunWest International Proprietary Limited ("SunWest") and Worcester Casino Proprietary Limited ("Worcester") are classified as level 3 fair value instruments and have been accounted for as financial assets at fair value through other comprehensive income. At the end of each reporting period each investment is remeasured and the increase or decrease recognised in other comprehensive income.

Discounted cash flow valuations are used to estimate the fair values. The valuation models consider 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 are discounted using a risk-adjusted discount rate. The latest cash flow projections and significant unobservable inputs as at the reporting date were assessed against those used for the year ended 31 March 2022. Based on these assumptions, no adjustment to the carrying amount was necessary at the reporting date.

IMPAIRMENTS

Goodwill and casino licences

Casino licences are allocated and monitored on a casino precinct basis as these are the cash-generating units ("CGUs") to which they relate. Goodwill relating to the Group's gaming operations has been allocated to that group as a whole as the CGU to which it relates. The outbreak of COVID-19 significantly affected the South African economy and the gaming and hospitality industry. The residual impact thereof was considered in determining whether indicators of impairment exist in respect of casino licences, most of which have indefinite useful lives, as well as goodwill.

The recoverable amount of a CGU is determined based on the higher of the fair value less cost of disposal and value in use. These calculations use management-approved pre-tax cash flow projections based on five-year forecasts.

The latest cash flow projections and significant unobservable inputs as at the reporting date were assessed against those used for the year ended 31 March 2022. No indicators of impairment were observed and no impairments recognised.

DISCONTINUED OPERATIONS AND DISPOSAL GROUPS HELD FOR SALE

Media and broadcasting

The results of certain non-core operations in the media and broadcasting segment are included in discontinued operations in the current and prior comparative periods, following the decision to exit those operations, and consists of a loss after tax of R1 million. Disposal group assets of R48 million and liabilities of R23 million relate to these operations.

Gaming

Non-core portions of land and buildings in the amount of R37 million have been classified as disposal group assets held for sale in the current period.

Branded products and manufacturing

Investment properties of R93 million are classified as disposal group assets held for sale at the reporting date.

Properties

Investment property with a carrying value of R33 million awaits sale.

BUSINESS COMBINATION

Gaming

Tsogo Sun Gaming ("TSG") acquired an effective 55% shareholding in Emerald Safari Resort Proprietary Limited, effective 12 September 2022. The fair value of net assets acquired equated to the fair value of consideration paid and no goodwill was recognised. The acquired business contributed income of R19 million and profit after tax of R1 million to the Group from the date of acquisition to 30 September 2022. Had the acquisition been effective on 1 April 2022, the contribution to income would have been R177 million and profit after tax R4 million.

The net assets acquired, for which the accounting remains provisional, were as follows:

	R'm
Non-current assets	(392)
Current assets	(93)
Non-current liabilities	31
Current liabilities	56
Net assets acquired	(398)
Loan off-setting purchase consideration	15
Consideration to be settled on finalisation of working capital	4
Cash and cash equivalents acquired	62
Net cash outflow	(317)

No non-controlling interests arise on the acquisition as the Group, together with the acquiring non-controlling interests, funded the acquisition by way of loan funding in accordance with their pro-rata shareholding.

RESULTS

GROUP STATEMENT OF PROFIT OR LOSS AND SEGMENTAL ANALYSIS

Income increased by 30% to R11 189 million
EBITDA increased by 18% to R2 516 million
Profit before tax R1 898 million
Headline earnings R902 million
Headline earnings per share 1 115 cents

Media and broadcasting

The television and radio advertising markets have been impacted by persistent load shedding during the current period. The Group's television and radio advertising revenue increased by 3%, while its prime time market share increased from 34% to 36% during the current period, with increases recorded in both the etv channel and the multi-channel operations. The Group's licence fee revenue decreased by 21% as a result of a reduced fee agreed with MultiChoice South Africa, and facility revenue increased by 33%. Active set top boxes have increased to 3 064 000 during the period. EBITDA decreased by 13%, with revenue gains set off by higher marketing and legal costs. Profit before tax contains no significant non-recurring items for which headline earnings had to be adjusted.

Gaming

Although still 8% below pre-COVID-19 levels, total income increased by 46% in relation to the prior comparative period. Casino revenue and net gaming win combined increased by 47%, that of Vukani by 28% and that of Galaxy Bingo's operations by 31%, the operations of Vukani and Galaxy Bingo being impacted by increased load shedding during August and September. EBITDA increased by 16% to R1 503 million, with a normalised EBITDA margin of over 35% maintained during the period. Excluding the hotel management agreement cancellation fee of R399 million paid to SSU, EBITDA would have increased by 47% to R1 902 million. Casino EBITDA increased by 56%, that of Vukani by 21% and that of Galaxy Bingo's operations by 13%. Headline earnings of R304 million includes an effective R144 million expense relating to the hotel management agreement cancellation fee. Excluding this, the contribution to Group headline earnings would have been R448 million, an increase of 184% in comparison to the prior comparative period.

Hotels

Trading levels continue to improve at hotel operations. Internally managed rooms sold increased by 113% compared to the prior comparative period, with average occupancy levels for these 46.0% in the current period, compared to 21.9%. Total income increased by 170% to R2 481 million, following significant increases in both rooms (152%) and food and beverage (134%) revenue and inclusive of the receipt of a hotel management agreement cancellation fee of R399 million received from TSG. South African system-wide rooms sold of 268 000 in October 2022 was equal to 94% of rooms sold in the comparative month during the 2020 financial year.

Headline profit of R124 million recognised by the Group in relation to hotel operations during the current period includes an effective R115 million in respect of the hotel management agreement cancellation fee.

Transport

Transport revenue increased by 15% with both passenger numbers and kilometres travelled showing strong growth. EBITDA decreased by 10%, with fuel costs being R128 million higher than the prior comparative period, and an increase in supplies and service costs resulting in an increase of 23% in operating expenses. Profit before tax and headline earnings decreased in line with EBITDA, with no significant non-recurring items recognised.

Properties

Properties' increase in revenue has significantly been the result of the improvement in trading by Gallagher Estate's convention and conferencing operations. Rental income decreased by 4%, the prior comparative period including income from the Olympus Village Mall and Westlake warehouse precinct, which were sold during the latter part of the prior financial year. The remaining portfolios' rental income increased by a healthy 7% during the current period (including 16% at The Point centre and 11% at the Whale Coast Village Mall). The improvement in EBITDA was mainly owing to the recovery of the Gallagher Estate convention and conferencing operations. Profit before tax includes a R14 million investment surplus on the sale of land. The prior comparative period included R36 million in hedge break costs incurred upon the restructuring of certain borrowings facilities (increasing finance costs by R30 million as a result). Finance costs therefore decreased by R37 million in the current period. Headline earnings increased in line with profit before tax.

Coal mining

Revenue increased by 59% at the Palesa Colliery, consisting of a 66% increase in coal revenue and 51% increase in transport revenue. Sales volumes at Palesa increased by 436 000 tons (33%) as a result of stronger off-take from Eskom. EBITDA increased by 124%. The sale of an RB1 export quality product, albeit in limited volumes, resulted in the overall gross profit margin on coal sales improving by 900 basis points in comparison to the prior period. Profit before tax increased in line with EBITDA. Headline earnings improved in excess of profit before tax due to tax incentive allowances on the new FX airplant installation.

Branded products and manufacturing

Revenue in respect of branded products and manufacturing increased by 15% and property rental income by 1%. Industrial product manufacturing, branded product distribution and automotive parts manufacturing all recorded significantly increased revenue despite the pressures of load shedding and high energy prices. EBITDA increased by 46%, assisted by net business interruption insurance claim receipts of R60 million. Excluding these, EBITDA would have reduced by 2%. Finance costs increased by R5 million. Headline earnings increased in line with profit before tax.

Oil and gas prospecting

Equity losses in respect of Impact Oil and Gas ("IOG") includes effective equity-accounted losses of R11 million from its investment in Africa Energy Corp. and contain no headline earnings adjusting items.

Palladium prospecting

Equity losses of R9 million were recognised in the current period and contained no significant headline earnings adjusting items. The decrease in relation to the prior comparative period is a result of Platinum Group Metals ("PGM") repaying its debt earlier in the 2022 calendar year.

Other

EBITDA losses have reduced in relation to the prior comparative period as a result of a reduction in losses at the Group's internal audit function, the HCI Foundation and La Concorde Holdings. Included in profit before tax is settlement proceeds of R132 million relating to the Jindal Africa dispute, a R193 million fair value adjustment on the Group's interest in Montauk Renewables Inc. ("MKR"), R25 million gain on the disposal of the Group's interest in BSG Africa ("BSG"), head office finance costs of R89 million (decreasing from R105 million), equity losses of R37 million (increasing from R14 million) relating to Karoshoek and an investment surplus on minor dilution of the Group's interests in PGM and IOG of R14 million. Included in the current period's headline profit is R89 million head office finance costs, the aforementioned losses from Karoshoek, the after-tax proceeds from the abovementioned settlement, effective R71 million fair value adjustment on the MKR interest, the remainder being head office and other overheads of the Company, the Group's internal audit function and La Concorde Holdings.

Notable items on the consolidated income statement include:

Investment income increased following the receipt of R52 million interest in respect of a settlement of dispute with Jindal Africa. R42 million in dividends was also received from the Group's interest in Sunwest and the Worcester Casino. Increased interest rates and cash balances resulted in higher interest income throughout the Group.

Finance costs decreased by R111 million due to reduced borrowings in certain parts of the Group. R16 million in reduced interest was recorded by head office, R65 million by gaming operations and R37 million by properties.

Profits from associates and joint ventures include R9 million profit from BSG Africa and R131 million in respect of SSU. Equity losses include R21 million that was recognised in respect of IOG, R9 million in respect of PGM, R37 million in respect of Karoshoek and R6 million relating to Alphawave Golf.

An investment surplus of R14 million was recognised on the dilution of the Group's interests in PGM and IOG, R80 million in respect of the settlement with Jindal Africa, R25 million on the disposal of the Group's interest in BSG and R14 million in respect of the sale of land by the properties division.

A fair value adjustment of R193 million was recognised on the Group's interest in MKR, of which R122 million relates to the HCI Foundation and which is not included in headline earnings.

Property, plant and equipment of R12 million were impaired by various operations across the Group.

Headline earnings improved by 312%. No shares were repurchased during the current or prior comparative periods.

GROUP STATEMENT OF FINANCIAL POSITION AND CASH FLOW

Group non-current borrowings at 30 September 2022 comprise central head office borrowings of R2 073 million (March 2022: R1 745 million), central investment property-related borrowings of R1 610 million (March 2022: R1 769 million), borrowings in TSG of R7 560 million (March 2022: R7 400 million) and the remainder in other operating subsidiaries. R1 605 million (March 2022: R2 279 million) in current borrowings relate to TSG and R233 million (March 2022: R561 million) to central head office. Bank overdraft facilities include R72 million in TSG, R201 million at head office and R257 million in Deneb (March 2022: R72 million, R187 million and R14 million, respectively).

Included in cash flows from investing activities is investments in associates of R356 million, all of which relates to IOG, and a further preference share investment in Alphawave Golf of R26 million. R69 million was received on the disposal of the Group's interest in BSG Africa. R482 million was invested in property, plant and equipment, of which R218 million by TSG, R111 million by HCI Coal, R74 million by Deneb and R57 million by eMedia. TSG disposed of property, plant and equipment to the value of R155 million. Net funding of R520 million was repaid by TSG and R64 million by Frontier Transport Holdings and R199 million was raised by eMedia.

Shareholders are referred to the individually published results of eMedia Holdings Limited, Tsogo Sun Gaming Limited, Southern Sun Limited, Deneb Investments Limited, Frontier Transport Holdings Limited and Platinum Group Metals Limited for further commentary on the media and broadcasting, gaming, hotels, branded products and manufacturing, transport and palladium prospecting 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 that may affect the financial position as at the reporting date or the results for the period then ended, as contained in these condensed consolidated financial statements.

DIVIDEND TO SHAREHOLDERS

The directors of HCI have resolved to declare an interim ordinary dividend number 61 of 50 cents (gross) per HCI share for the six months ended 30 September 2022 from income reserves. The salient dates for the payment of the dividend are as follows:

Last day to trade cum dividend	Tuesday, 20 December 2022
Commence trading ex dividend	Wednesday, 21 December 2022
Record date	Friday, 23 December 2022
Payment date	Tuesday, 27 December 2022

No share certificates may be dematerialised or rematerialised between Wednesday, 21 December 2022 and Friday, 23 December 2022, both dates inclusive.

NOTES AND COMMENTARY (CONTINUED)

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 85 620 648.
- The DT amounts to 10 cents per share.
- The net local dividend amount is 40 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
1 December 2022

Hosken Consolidated Investments Limited