REVIEWED PROVISIONAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

Hosken Consolidated Investments Limited

2023

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* (Chair)
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

	Reviewed 31 March 2023 R'000	Audited 31 March 2022 R'000
ASSETS		
Non-current assets	45 666 976	40 858 036
Property, plant and equipment	16 324 722	16 046 945
Right-of-use assets	299 782	324 184
Investment properties	5 052 816	5 067 831
Goodwill	3 824 589	3 868 505
Investments in associates and joint arrangements	6 465 307	4 458 953
Other financial assets	1 487 781	1 089 791
Intangible assets	11 886 839	9 576 591
Deferred taxation	261 307	333 566
Other	63 833	91 670
Current assets	6 025 551	6 216 240
Inventories	1 020 986	899 661
Programme rights	945 387	978 651
Other financial assets	–	92 963
Trade and other receivables	1 883 759	1 842 038
Taxation	83 541	93 340
Bank balances and deposits	2 091 878	2 309 587
Disposal group assets held for sale	170 396	147 240
Total assets	51 862 923	47 221 516
EQUITY AND LIABILITIES		
Equity	28 164 962	22 827 423
Equity attributable to equity holders of the parent	18 168 070	14 320 224
Non-controlling interest	9 996 892	8 507 199
Non-current liabilities	19 785 601	17 526 260
Deferred taxation	5 375 895	4 687 525
Borrowings	13 681 541	11 974 360
Lease liabilities	381 383	399 063
Provisions	80 135	72 431
Other	266 647	392 881
Current liabilities	3 910 595	6 866 068
Trade and other payables	2 494 662	2 709 143
Current portion of borrowings	804 071	3 586 404
Taxation	47 929	44 045
Provisions	210 406	188 071
Bank overdrafts	148 033	273 108
Other	205 494	65 297
Disposal group liabilities held for sale	1 765	1 765
Total equity and liabilities	51 862 923	47 221 516
Net asset carrying value per share (cents)	22 466	17 708

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	% change	Reviewed 31 March 2023 R'000	Audited 31 March 2022* R'000
Revenue		12 575 559	10 640 582
Net gaming win		9 626 677	7 778 881
Property rental income		696 699	640 725
Income	20.1	22 898 935	19 060 188
Expenses		(17 259 883)	(14 049 319)
EBITDA	12.5	5 639 052	5 010 869
Depreciation and amortisation		(1 161 767)	(1 166 412)
Operating profit		4 477 285	3 844 457
Investment income		299 532	148 640
Finance costs		(1 194 861)	(1 322 497)
Equity-accounted earnings/(losses) of associates and joint arrangements		198 348	(93 605)
Investment surplus		152 384	181 409
Fair value adjustments on investment properties		80 295	(26 593)
Impairment reversals		3 163 984	1 387 175
Asset impairments		(398 310)	(209 357)
Fair value adjustments on financial instruments		(70 843)	9 395
Impairment of goodwill and investments		–	(4 247)
Profit before taxation	71.3	6 707 814	3 914 777
Taxation		(1 620 042)	(711 405)
Profit for the year from continuing operations		5 087 772	3 203 372
Discontinued operations		(9 064)	(1 150)
Profit for the year		5 078 708	3 202 222
Attributable to:			
Equity holders of the parent		3 207 067	2 078 572
Non-controlling interest		1 871 641	1 123 650
		5 078 708	3 202 222

* *Restated for discontinued operations*

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Reviewed 31 March 2023 R'000	Audited 31 March 2022 R'000
Profit for the year	**5 078 708**	3 202 222
Other comprehensive income net of tax:		
Items that will subsequently be reclassified to profit or loss		
Foreign currency translation differences	**596 944**	(66 555)
Cash flow hedge reserve	**28 656**	136 278
Share of other comprehensive (losses)/income of equity-accounted investments	**(12 996)**	21 154
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		
Actuarial gains on post-employment benefit liabilities	**9 681**	6 333
Fair value adjustments on equity instruments designated at fair value through other comprehensive income	**121 335**	139 844
Share of other comprehensive income/(losses) of equity-accounted investments	**432**	(355)
Total comprehensive income	**5 822 760**	3 440 198
Attributable to:		
Equity holders of the parent	**3 874 154**	2 179 540
Non-controlling interest	**1 948 606**	1 260 658
	5 822 760	3 440 198

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reviewed 31 March 2023 R'000	Audited 31 March 2022 R'000
Balance at the beginning of the year	**22 827 423**	19 524 296
Current operations		
Total comprehensive income	**5 822 760**	3 440 198
Equity-settled share-based payments	**28 612**	23 460
Share of direct equity movements of equity-accounted investments	**27 637**	22 010
Disposal of subsidiaries	**461**	(20 848)
Effects of changes in holding	**(37 131)**	(79 714)
Dividends	**(504 800)**	(81 979)
Balance at the end of the year	**28 164 962**	22 827 423

RECONCILIATION OF HEADLINE EARNINGS

	% change	Reviewed 31 March 2023 Gross R'000	Reviewed 31 March 2023 Net R'000	Audited 31 March 2022 Gross R'000	Audited 31 March 2022 Net R'000
Earnings attributable to equity holders of the parent	54.3		3 207 067		2 078 572
Impairment of goodwill		–	–	4 247	3 491
Losses/(gains) on disposal of property		33 410	6 880	(10 762)	(4 087)
Losses/(gains) on disposal of plant and equipment		398	(123)	(7 095)	(3 005)
Impairment of property, plant and equipment		142 905	50 616	23 489	14 146
Reversal of impairment of assets		(2 409 030)	(874 548)	(630 246)	(233 495)
Losses/(gains) on disposal of subsidiaries		3 557	1 780	(38 603)	(38 603)
Gains on disposal of interests in associates		(25 398)	(25 398)	–	–
Gains on changes in holdings of equity-accounted investments		(32 567)	(31 353)	(138 557)	(138 557)
Foreign currency translation reserves recycled on disposal and dilution of interests in associates		–	–	1 277	1 277
Reversal of impairment of associates and joint arrangements		(754 954)	(694 222)	(756 929)	(696 929)
Losses on disposal of intangible assets		–	–	9	8
Impairment of intangible assets		249 950	91 130	193 220	70 306
Gains on disposal of investment properties		(14 080)	(11 001)	(5 526)	(4 286)
Fair value adjustments on investment properties		(80 295)	(54 091)	26 593	15 392
Impairment of right-of-use assets		5 455	1 268	–	–
Insurance claims for capital assets		(22 934)	(13 567)	(22 698)	(8 812)
Remeasurements included in equity-accounted earnings of associates and joint arrangements		(10 447)	3 940	13 698	13 104
Headline earnings	55.2		1 658 378		1 068 522
Basic earnings per share (cents)					
Earnings/(losses)	54.3		3 965.71		2 570.26
Continuing operations			3 973.97		2 572.30
Discontinued operations			(8.26)		(2.04)
Headline earnings/(losses) per share (cents)	55.2		2 050.67		1 321.28
Continuing operations			2 056.31		1 315.56
Discontinued operations			(5.64)		5.72
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 per share (cents)					
Earnings/(losses)	51.7		3 896.66		2 568.01
Continuing operations			3 904.78		2 570.04
Discontinued operations			(8.12)		(2.03)
Headline earnings/(losses) per share (cents)	52.6		2 014.97		1 320.12
Continuing operations			2 020.51		1 314.40
Discontinued operations			(5.54)		5.72
Weighted average number of shares in issue ('000)			82 303		80 941

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed 31 March 2023 R'000	Audited 31 March 2022 R'000
Cash flows from operating activities	2 999 835	2 655 582
Cash generated by operations	5 940 767	5 148 173
Net finance costs	(1 059 895)	(1 626 157)
Changes in working capital	(490 525)	(170 864)
Taxation paid	(891 690)	(619 269)
Dividends paid	(498 822)	(76 301)
Cash flows from investing activities	(1 843 081)	(420 437)
Business combinations and disposals	(276 307)	107 382
Net investments acquired	(618 339)	(123 489)
Dividends received	102 243	81 246
Loans and receivables repaid/(advanced)	87 881	(98)
Proceeds from insurance claims for capital assets	18 542	22 698
Government grants received	12 110	–
Intangible assets		
– Additions	(190 989)	(5 824)
– Disposals	368	922
Investment properties		
– Additions	(118 802)	(160 727)
– Disposals	35 231	26 698
Property, plant and equipment		
– Additions	(1 076 334)	(537 482)
– Disposals	181 315	168 237
Cash flows from financing activities	(1 250 453)	(1 539 619)
Transactions with non-controlling shareholders	(34 699)	(87 573)
Principal paid on lease liabilities	(68 344)	(64 086)
Net funding repaid	(1 147 410)	(1 387 960)
(Decrease)/increase in cash and cash equivalents	(93 699)	695 526
Cash and cash equivalents		
At the beginning of the year	2 036 768	1 341 695
Foreign exchange differences	1 065	(453)
At the end of the year	1 944 134	2 036 768
Bank balances and deposits	2 091 878	2 309 587
Bank overdrafts	(148 033)	(273 108)
Cash in disposal groups held for sale	289	289
Cash and cash equivalents	1 944 134	2 036 768

SEGMENTAL ANALYSIS

	Revenue 31 March		Net gaming win 31 March	
	2023 R'000	2022* R'000	2023 R'000	2022 R'000
Media and broadcasting	3 125 051	3 144 982	–	–
Gaming	1 518 592	942 471	9 626 677	7 778 881
Transport	2 391 748	2 078 729	–	–
Properties	233 926	167 858	–	–
Coal mining	2 115 290	1 448 010	–	–
Branded products and manufacturing	3 148 963	2 835 888	–	–
Other	41 989	22 644	–	–
Total	12 575 559	10 640 582	9 626 677	7 778 881

	Property rental income 31 March		EBITDA 31 March	
	2023 R'000	2022 R'000	2023 R'000	2022* R'000
Media and broadcasting	17 124	15 394	689 306	697 001
Gaming	155 849	102 922	3 487 218	3 125 745
Transport	–	–	472 376	461 108
Properties	369 344	378 971	286 652	274 861
Coal mining	–	–	481 038	265 224
Branded products and manufacturing	140 824	132 267	365 201	334 467
Other	13 558	11 171	(142 739)	(147 537)
Total	696 699	640 725	5 639 052	5 010 869

	Profit/(loss) before tax 31 March		Headline earnings/(loss) 31 March	
	2023 R'000	2022* R'000	2023 R'000	2022 R'000
Media and broadcasting	569 357	571 063	238 931	264 858
Gaming	4 168 409	2 017 614	795 635	621 893
Hotels	1 225 326	703 806	286 626	(35 233)
Transport	387 995	357 286	231 813	218 856
Properties	197 015	62 204	61 217	51 703
Coal mining	433 490	230 516	308 590	180 970
Branded products and manufacturing	204 942	183 999	113 707	128 367
Oil and gas prospecting	(226 852)	23 547	(75 071)	23 547
Palladium prospecting	(21 638)	(51 485)	(21 638)	(50 564)
Other	(230 230)	(183 773)	(281 432)	(335 875)
Total	6 707 814	3 914 777	1 658 378	1 068 522

* *Restated for discontinued operations*

SEGMENTAL ANALYSIS (CONTINUED)

Revenue streams which individually represent 2% or more of the Group's total revenue are as follows:

	2023		2022*	
	Sale of goods R'000	Provision of services R'000	Sale of goods R'000	Provision of services R'000
Revenue recognised at a point in time				
Revenue from the sale of:				
Toys, electronic games and sports goods	948 490	–	894 003	–
Woven, knitted and non-woven products	875 512	–	776 309	–
Pressed, roll-formed steel products	723 266	–	588 824	–
Stationery, publishing and office supplies	378 900	–	293 165	–
Speciality chemicals	142 869	–	218 170	–
Openview boxes	180 147	–	240 638	–
Coal	1 416 963	–	941 379	–
Coal transport revenue	698 327	–	497 977	–
Food and beverage revenue	–	609 167	–	364 891
Single-journey bus ticket revenue	–	353 827	–	293 603
Other revenue**	43 235	219 650	37 285	69 825
Revenue recognised over time				
Advertising revenue	–	2 278 025	–	2 262 585
Revenue from operational contracts with the Department of Transport and the City of Cape Town for the provision of bus services	–	1 288 191	–	1 273 431
Multi-journey bus ticket revenue	–	578 305	–	441 793
Licence fees	–	350 000	–	445 400
Hotel room revenue	–	501 473	–	303 244
Facility income from broadcasting and production services	–	261 965	–	175 960
Other revenue***	79 926	647 321	65 417	456 683
	5 487 635	7 087 924	4 553 167	6 087 415

* *Restated for discontinued operations*

** *Other revenue recognised at a point in time most significantly includes convention and exhibition revenue and revenue from charter hire services*

*** *Other revenue recognised over time most significantly includes revenue from the sale of pressed, roll-formed steel products, theme park entrance fees, tenant recoveries, cinema revenue and content sales by the Group's media operations*

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The results for the year ended 31 March 2023 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 2022.

GOING CONCERN

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 2022 comparative financial year. 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 Company was in compliance with its debt covenants in respect of central borrowings during the current year. Improved security cover ratios were also agreed with funders.

Gaming operations were in compliance with its original covenants during the current year. Dividends from these operations have normalised.

Hotel operations complied with its relaxed debt covenants during the year under review. Current and forecast profitability and borrowings levels are expected to comply with the progressively stricter covenants as they apply for periods after the reporting date.

The Company has assessed its cash flow forecasts and borrowings profiles and is of the view that the Group has sufficient liquidity to meet its obligations as currently foreseen in the foreseeable future.

FAIR VALUE MEASUREMENT

Investment properties

Gaming

Fair value losses in respect of investment properties relating to gaming operations amounted to R17 million in the current year. The fair values were determined by using the income capitalisation method. Independent valuers are appointed every third year, with management updating fair values during the intervening years. The significant unobservable inputs used in the current year were as follows:

- capitalisation rate of 9.5%; and
- vacancy rate of 10%.

Properties

Fair value gains in respect of investment properties of properties operations in the current year amounted to R71 million. The fair values were determined by independent experts by applying the discounted cash flow and direct comparable sales methods. The significant unobservable inputs were as follows:

- net income growth rate of 3.7% – 7.7%;
- terminal capitalisation rate of 9% – 11.8%; and
- risk-adjusted discount rate of 14% – 16.3%.

Branded products and manufacturing

Fair value gains on investment properties relating to branded products and manufacturing amounted to R11 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% – 12.3%; and
- vacancy rate of 0% – 3%.

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 R959 million at 31 March 2023, a R145 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 the impact of the COVID-19 pandemic.

The significant unobservable inputs used in the fair value measurement of the investment in SunWest and Worcester as at 31 March 2023 are shown below (these entities have a 31 December year-end).

- income increases by 17% in the 2023 financial year, 5% in 2024 and then by 4% – 5% over the following years;
- operating expenditure increases by 8% in the 2023 financial year, thereafter by 5% over the following years;
- risk-adjusted discount rate of 14.8% post-tax; and
- long-term growth rate of 5%.

IMPAIRMENTS AND IMPAIRMENT REVERSALS

Intangible assets

Impairment reversals of R2 409 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 easing of the impact of COVID-19 on trade, the carrying amounts of casino licences were tested for impairment or reversals thereof. 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	813
Suncoast	912
Gold Reef	636
The Ridge	37
Garden Route	11
Total	2 409

The sale of the hotels at Emnotweni to Southern Sun ("SS") resulted in a reduction in forecast profits generated by the precinct and a resultant impairment of casino licence:

	R'm
Emnotweni	236

The slower than expected recovery of trade at the following casino precincts resulted in the further impairment of related land and buildings:

	R'm
Hemingways	124
Goldfields	17
Total	141

The significant unobservable inputs used in the testing of the Group's casino licences for impairment as at 31 March 2023 are shown below.

- expected gaming win and other income increases by 7% in the 2024 financial year, 5% in 2025 and thereafter 4% over the following years;
- operating expenditure increases by 10% in the 2024 financial year, 6% in 2025 and thereafter 5% over the following years;
- risk-adjusted discount rate of 18.4% – 20.2% pre-tax; and
- long-term growth rate of 5%.

Investments in associates and joint ventures

Due to improved trading the Group assessed the carrying value of its interest in SS for a possible impairment reversal.

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

The fair value less cost of disposal was calculated using the 30-day volume weighted average share price.

The calculated value in use was higher than the fair value less cost of disposal and the carrying value of the investment was therefore remeasured to the value in use, resulting in a reversal of impairment of R755 million.

The significant unobservable inputs used in the discounted cash flow calculation were as follows:

- expected revenue increases by between 1% and 7% between 2024 and 2028;
- operating expenditure increases on average by 5% between 2024 and 2028;
- risk-adjusted discount rate of 17.3% pre-tax; and
- long-term growth rate of 4.5%.

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 years, following the decision to exit those operations, and consists of a loss after tax of R3 million. Disposal group assets of R5 million and liabilities of R2 million relate to these operations.

Branded products and manufacturing

The results of CLM Home's operations are included in discontinued operations in the current and prior years, following the decision to exit those operations, and consists of a loss after tax of R6 million. The business was sold on 1 March 2023.

Investment properties of R133 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 R193 million and profit after tax of R18 million to the Group from the date of acquisition to 31 March 2023. Had the acquisition been effective on 1 April 2022 the contribution to income would have been R350 million and profit after tax R20 million.

The net assets acquired, for which the purchase price allocation has been finalised, were as follows:

	R'm
Non-current assets	(393)
Current assets	(90)
Non-current liabilities	30
Current liabilities	56
Net assets acquired	(397)
Loan off-setting purchase consideration	15
Cash and cash equivalents acquired	62
Net cash outflow	(320)

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 20% to R22 899 million

EBITDA increased by 13% to R5 639 million

Profit before tax R6 708 million

Headline earnings R1 658 million

Headline earnings per share 2 051 cents

Media and broadcasting

The television and radio advertising markets have been impacted by persistent load shedding during the current year. The Group's television and radio advertising revenue was stagnant, while its prime time market share increased from 34.1% to 34.5% during the current year, with an increase recorded mainly in 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 49% following a strong performance by Media Film Services. Active set top boxes have increased to 3 166 000 during the year. EBITDA decreased by 1%, with revenue gains set off by higher marketing costs, the impact of diesel usage during load shedding and a negative variance of R24 million compared to prior-year foreign exchange-related valuation adjustments. Profit before tax contains no significant non-recurring items for which headline earnings had to be adjusted.

Gaming

Although still 3% below pre-COVID-19 levels, total income increased by 28% in relation to the prior year. Casino revenue and net gaming win combined increased by 31%, that of Vukani by 14% and that of Galaxy Bingo's operations by 17%, the operations of Vukani and Galaxy Bingo being impacted by increased load shedding since August. EBITDA increased by 12% to R3 487 million, with a normalised EBITDA margin of 35% achieved during the year. Excluding the hotel management agreement cancellation fee of R399 million paid to SS, EBITDA would have increased by 24% to R3 886 million. Casino EBITDA increased by 31%, that of Vukani by 11% and that of Galaxy Bingo's operations by 8%. Profit before tax includes the reversal of impairments to casino licences of R2 409 million, impairments of casino licences of R236 million and impairments of casino precinct-related property, plant and equipment of R141 million, all as detailed in the notes above. Headline earnings of R796 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 R940 million, an increase of 51% in comparison to the prior year.

Hotels

Trading at hotel operations improved significantly during the year, particularly during the second half. Normalised revenue increased by 88% to R5 081 million, 14% ahead of revenue recorded for the 2020 financial year. Internally managed rooms sold increased by 71% compared to the prior year, with average occupancy levels for these 51.5% in the current year, compared to 30.6%. Total income increased by 107% to 5 386 million, following significant increases in both rooms (106%) and food and beverage (83%) revenue and inclusive of the receipt of the hotel management agreement cancellation fee of R399 million received from TSG.

Profit before tax includes the Group's effective R167 million share of profit on disposal of the Ikoyi Hotel. It also includes the reversal of impairment of R755 million detailed in the notes above.

Headline profit of R287 million recognised by the Group in relation to hotel operations during the current year includes an effective R117 million in respect of the hotel management agreement cancellation fee.

Borrowings have reduced from R3 495 million to R1 964 million during the year. Net debt amounted to R1 311 million at 31 March 2023.

Transport

Transport revenue increased by 15% with passenger numbers showing strong growth even though kilometres travelled had reduced. The result was a 27% increase in single and multi-ride passenger revenue. EBITDA increased by only 2%, with fuel costs being R197 million higher than the prior year, and an increase in supplies and service costs, resulting in an increase of 41% in operating expenses. Profit before tax and headline earnings benefited from higher interest income of R20 million and increased by 9% and 6%, respectively.

Properties

Properties' increase in revenue has significantly been the result of the improvement in trading at Gallagher Estate's convention and conferencing operations. Rental income decreased by 3%, 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 portfolio's rental income increased by a healthy 7% during the current year (including 19% at The Point centre and 10% 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 upward fair value adjustments to investment properties of R71 million (downward adjustments of R19 million in 2022) and a R14 million investment surplus on the sale of land. The prior year included R36 million in hedge break costs incurred upon the restructuring of certain borrowings facilities. Finance costs therefore decreased by R21 million in the current year.

Coal mining

Revenue increased by 46% at the Palesa Colliery, consisting of a 48% increase in coal revenue and 40% increase in transport revenue. Sales volumes at Palesa increased by 540 000 tons (21%) as a result of stronger off-take from Eskom during the first half of the year. EBITDA increased by 81%. The sale of an export quality product, albeit in limited volumes, resulted in the overall gross profit margin on coal sales improving by 600 basis points in comparison to the prior year. Profit before tax increased in line with EBITDA, the small reduction in growth resulting from increased depreciation on the recently commissioned FX air plant.

Branded products and manufacturing

Revenue in respect of branded products and manufacturing increased by 11% and property rental income by 6%. Industrial product manufacturing (up 9%), branded product distribution (up 11%) and automotive parts manufacturing (up 33%) all recorded increased revenue despite the pressures of load shedding and high energy prices. Higher input costs, for steel in particular, unfortunately erased most of the gains in revenue, with gross profit remaining nearly stagnant. EBITDA increased by 9%, assisted by net business interruption insurance claim receipts of R60 million. Finance costs increased by R25 million and upward fair value adjustments on investment properties of R11 million were recognised. Headline earnings excludes the aforementioned fair value adjustment as well as R9 million insurance receipts for capital assets.

Oil and gas prospecting

Equity losses in respect of Impact Oil and Gas ("IOG") includes an effective R82 million expense on the impairment of its investment in Africa Energy Corp. ("AEC") and R25 million expense on the impairment of capitalised expenditure on the AGC Profond prospect. Also included is an effective R45 million expense on the impairment by AEC of capitalised expenditure relating to its unsuccessful Block 2B prospect. Headline earnings were adjusted for these items.

Palladium prospecting

Equity losses of R22 million were recognised in the current year and contained no significant headline earnings adjusting items. The decrease in relation to the prior year is a result of Platinum Group Metals ("PGM") repaying its debt early in the 2022 calendar year.

Other

EBITDA losses have reduced marginally in relation to the prior year as a result of gains at La Concorde Holdings. Included in profit before tax is: settlement proceeds of R132 million (income) relating to the Jindal Africa dispute; a negative R69 million fair value adjustment on the Group's interest in Montauk Renewables Inc. ("MKR"); a R25 million gain on the disposal of the Group's interest in BSG Africa ("BSG"); head office finance costs of R186 million (decreasing from R208 million); equity losses of R49 million (increasing from R22 million) relating to Karoshoek and R14 million relating to Alphawave Golf; and an investment surplus on minor dilution of the Group's interest in PGM of R24 million. Included in the current year's headline losses are: R186 million head office finance costs; the aforementioned losses from Karoshoek and Alphawave Golf; the after-tax proceeds from the abovementioned settlement, effective R45 million fair value adjustment on the MKR interest; and 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. R74 million in dividends was also received from the Group's interest in Sunwest and Worcester. Increased interest rates and cash balances resulted in higher interest income throughout the Group.

Finance costs decreased by R127 million due to reduced borrowings in certain parts of the Group. R22 million in reduced interest was recorded by head office, R126 million by gaming operations and R21 million by properties. An increase in finance costs of R25 million was recorded by Deneb.

Profits from associates and joint ventures includes profit of R470 million from SS and R9 million from BSG Africa. Equity losses include R227 million that was recognised in respect of IOG, R22 million in respect of PGM, R49 million in respect of Karoshoek and R14 million relating to Alphawave Golf.

An investment surplus of R24 million was recognised on the minor dilution of the Group's interest in PGM, 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.

R17 million in fair value losses on investment properties were recognised by the Group's gaming operations, upward adjustments of R11 million by branded products and manufacturing operations, a net amount of R71 million in fair value gains by the Group's properties division and R15 million in gains by other operations.

Impairment reversals of R2 409 million relate to gaming operations' casino licences and the remaining R755 million to the investment in SS as detailed above.

Impairments totalling R377 million were recognised in respect of gaming operations' casino licences and related property, plant and equipment. The remainder was in respect of property, plant and equipment by various entities within the Group.

A fair value loss of R69 million was recognised on the Group's interest in MKR.

Headline earnings improved by 55%. No shares were repurchased during the current or prior years.

GROUP STATEMENT OF FINANCIAL POSITION AND CASH FLOW

Group non-current borrowings at 31 March 2023 comprise central head office borrowings of R2 306 million (March 2022: R1 745 million), central investment property-related borrowings of R1 579 million (March 2022: R1 769 million), borrowings in TSG of R8 380 million (March 2022: R7 400 million), and the remainder in other operating subsidiaries. R64 million (March 2022: R2 279 million) in current borrowings relates to TSG, R419 million (March 2022: R287 million) to central investment properties and R55 million (March 2022: R561 million) to central head office. Bank overdraft facilities include R50 million in TSG, R30 million at head office and R67 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 R525 million, all of which relates to IOG and a further preference share investment in Alphawave Golf of R41 million. R69 million was received on the disposal of the Group's interest in BSG Africa. R320 million was invested in the Emerald Casino by TSG. R1 076 million was invested in property, plant and equipment, of which R542 million by TSG, R168 million by HCI Coal, R230 million by Deneb and R94 million by eMedia. TSG disposed of property, plant and equipment to the value of R160 million. Net funding of R1 250 million was repaid by TSG and R117 million by Frontier Transport Holdings while R123 million was raised by eMedia and R138 million by Deneb.

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 year then ended, as contained in these condensed financial statements.

Subsequent to the reporting date the Company concluded an agreement to sell its 10% interest in the Karoshoek concentrated solar plant near Upington for R350 million. The transaction remains subject to various conditions precedent.

The Group invested R376 million in IOG during April 2023 through a subscription for shares. It has committed to invest a further US$27 million in August 2023. These investments have been agreed to fund the accelerated appraisal programme in respect of the Venus and Venus West oil prospects offshore Namibia.

AUDITOR'S REVIEW

These condensed consolidated financial statements for the year ended 31 March 2023 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 Company's ongoing funding commitments in relation to its interest in the oil and gas prospects offshore Namibia, the directors wish to preserve the Company's cash resources and 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
25 May 2023

Hosken Consolidated Investments Limited