Hosken Consolidated Investments Limited

INTEGRATED ANNUAL REPORT

2020

CONTENTS

SCOPE OF INTEGRATED ANNUAL REPORT

Hosken Consolidated Investments Limited ("HCI", "the Group" or "the Company") is proud to present its Integrated Annual Report for the period 1 April 2019 to 31 March 2020. This report aims to provide a balanced and concise understanding of HCI's underlying investments, how we manage the Group from a corporate governance perspective, its social and environmental impact and our financial performance for the year under review. The Group strives to be an exemplary corporate citizen and commits itself to the highest standards of corporate governance.

HCI is a publicly owned investment holding company listed on the Johannesburg Stock Exchange ("JSE") with a diverse investment base. The Company's investments are reflected on page 3 of this integrated report. The group operates principally in South Africa, and generates the majority of its revenue from South Africa. The geographical footprint of the group is provided on pages 12 and 13 of the report.

The integrated annual report and annual financial statements have been prepared according to International Financial Reporting Standards ("IFRS"), the requirements of the Companies Act, 71 of 2008, as amended ("the Companies Act"), and the Listings Requirements of the JSE.

The notice of the annual general meeting, proxy form and other administrative information also form part of the report and can be found on pages 89 to 96.

ABOUT THE INTEGRATED ANNUAL REPORT

BASIS OF CONTENT

The integrated annual report conveys information regarding the Group's financial and non-financial performance. It is reflective of the Group's commitment to create shareholder value while considering the triple contexts in which companies operate: social, environmental and economic.

The content of integrated report addresses material issues for all our subsidiaries, but does not extend to cover all issues relating to subsidiaries and associates. The scope limitation does not impact on the completeness of the report as separate integrated annual reports for the listed entities are published and can be found on www.deneb.co.za; www.tsogosun.com/gaming; www.tsogosun.com; www.hplr.co.za and www.emediaholdings.co.za.

In accordance with the stated objectives of integrated reporting, this report focuses on those issues that have a material impact on the group to create and sustain value. This report should be read in conjunction with the following supporting reports available on our website www.hci.co.za;

- Governance register
- Annual financial statements

The integrated annual report is HCI's primary report to stakeholders and includes information that the board and management deem to be useful and relevant to stakeholders, and is guided by:

- the Company's memorandum of incorporation ("MOI");
- the Companies Act, 71 of 2008, as amended;
- the JSE Listings Requirements; and
- the King Report on Corporate Governance for South Africa 2016 ("King IV").

EXTERNAL ASSURANCE ON CONTENT

This integrated annual report is the result of combined input from HCI and its subsidiaries on their activities and achievements for the year. The group is continuously improving its combined assurance model. Assurance for elements of this report has been provided through a combination of external and internal sources.

APPROVAL OF THE INTEGRATED ANNUAL REPORT

The integrity of the report is the responsibility of the board of directors. The directors confirm that the report is a fair representation of the integrated performance of the Group. The board approved the report for release on 24 August 2020.

We believe that this integrated annual report offers stakeholders the necessary information to make considered evaluations about HCI's business activities and performance, and business viability.

ADDITIONAL INFORMATION

A printed copy of the financial statements is available on request from info@hci.co.za. or can be requested from the company secretary, HCI Managerial Services Proprietary Limited, Tel: 021 481 7560.

Our 2020 Integrated Annual Report is available online at www.hci.co.za

FORWARD-LOOKING STATEMENTS

This integrated annual report contains certain forward-looking statements which relate to the financial position and results of the operations of the Group. These statements by their nature involve risk and uncertainty as they relate to events and depend on circumstances that may occur in the future. These forward-looking statements have not been reviewed or reported on by the Group's external auditor.

OPERATING STRUCTURE

AS AT 24 AUGUST 2020

LISTED COMPANIES

- TSOGO SUN HOTELS — 47.5%
- TSOGO SUN GAMING — 49.8%
- eMEDIA HOLDINGS — 62.9%
- HPL&R Hosken Passenger Logistics & Rail — 82.1%
- DENEB INVESTMENTS LIMITED — 85.5%
- PLATINUM GROUP METALS — 31.6%

UNLISTED COMPANIES

- HCI Coal — 100%
- HCI Properties (Division) — 100%
- KAROSHOEK — 10%
- Impact Oil & Gas — 49.6%
- GRIPP — 75%
- bsg — 40%
- alphawave — 42.3%
- LA CONCORDE — 88.6%

LETTER TO SHAREHOLDERS

JA Copelyn
Chief Executive Officer

REFLECTIONS ON SA AND THE APPROPRIATE INVESTMENT STRATEGY FOR HCI IN THE CIRCUMSTANCES

The elephant in the room – Covid-19:

Warren Buffett had the insight to sell all his company's interests in four airline companies in December 2019 and thereby avoid the avalanche that hit the tourism industry as little as two months later. HCI had no such brilliance.

Instead, our efforts at ameliorating our key weakness were premised on an assumption that has not held up in the current crisis. We correctly identified a risk of our debt growing uncomfortably high. In consequence, we sought to restructure our primary asset, Tsogo, to better use the cash it generated. As it turned out minorities blocked the transaction we had proposed and the effort came to nought. We were undeniably disappointed.

The truth is, however, we had missed the key risk in the whole debate, namely that a devastating pandemic might shut down the entirety of Tsogo's businesses, from hotels through gaming, and turn it from being the reliable producer of well over a billion rand a year in profits to one that would be unable to receive a single paying guest in the 18 800 bed facilities that it owns or manages, nor accept a single bet on its more than 19 300 gaming machines.

No doubt the resisting minorities were instinctively far more alive to this threat than we were (though it must be said they hid it well).

The key fact, however, is that unlike Buffett we missed the significance of the arrival of Covid-19 until it resulted in the complete closure of our primary businesses.

Our company has been lambasted by the Covid-19 tsunami and forced to give up all the gains it has made in the last 15 years. Its shares plunged from around R100 a share a year ago to a fifth of that.

HCI and its Debt:

Apart from the virus teaching the humble and the arrogant alike a lesson in humility, it has compelled us, no matter how belatedly, to reassess the durability of what we have built over the last two decades.

To start with, the key weakness. HCI currently has too much debt for its own long term good.

For decades, we have taken pride in the notion that we are a business with more ideas than money. Up to now, we have always worked on an assumption that while one needs to be cautious with debt, an unencumbered balance sheet is a "lazy balance sheet". Certainly, we could not have accumulated the assets we have without debt. Overall I believe we have been the better for it. Aside from cautiousness, successfully managing growth whilst carrying substantial debt is something that also requires a reasonable amount of stability and predictability.

My generation are the "baby boomers". We are perhaps the first people ever to live their whole lives in a world where growth and development has been almost uninterrupted in many countries. All setbacks have been relatively short lived.

Unquestionably, however, growth has slowed and the ride has grown rockier over the last few years. Without sounding a major alarm bell, it is time for a fundamental rethink in HCI. One way or another, we have to reduce our level of debt over the next 18 months. I guess the question that has presented itself more forcibly through the current lockdown is whether it is not time to set that level significantly lower than in the past.

When pressed to reduce debt levels the first thing that is invariably sacrificed is a dividend. HCI has been one of a handful of companies on the stock exchange that has increased its dividends every year for two solid decades.

Accordingly, it is a telling sign that we have been obliged to avoid all dividends this year.

The second thing that gets sacrificed after dividends is the support for cash negative subsidiaries and associates. In general, banks do not attribute much value to such assets as this value is more a potential than an actual, and banks are in the world of here and right now.

Nevertheless, failure to provide for businesses that need shareholder support is the most damaging thing one can do to any company. It robs the holding company of both its possibilities of growth and its vision for its future success. This we cannot allow.

While we have to meet the basic requirements of our financial creditors, we have resisted the idea that we should allow the lockdown to mean we must forego the development of our prospecting rights.

In the past we have bought back and cancelled many HCI shares as we have always perceived them as trading at a discount to their underlying value. Thus it would be disappointing to have a rights issue at the current greatly reduced share price, but this is preferable to abandoning exploration prematurely.

Fortunately for all, we have found a compromise that does not require such abandonment and we hope to be able to see these through to a point of success or failure without an HCI capital raise.

South African Country Risk:

A second feature of HCI is its concentration of country risk. In some ways, South Africa is unquestionably on a road to recovery. The President has led a phenomenal u-turn on the indifference to the degeneration of public service in general and to the mismanagement of state assets in particular. None but those who refuse to recognise any positive sign can fail to see this and it has lifted hopes of anyone who is committed to building a future for this country.

Nevertheless, the hard facts of the effect of Covid-19 on life in our country are equally difficult to overlook. Our 2020/21 budget had public debt at R3.3 trillion for this year. Since then, the necessities of providing public relief from the effects of locking down the economy for months as well as the reductions in the projected size of the fiscus have made it almost inevitable we will breach the R4 trillion level. Associated downgrades of our country's rating will push the cost of debt to around R450 billion a year, about a third of all taxes we might hope to collect next year.

As much as HCI needs to rethink its relationship to debt, so does the South African Government. There is simply no easy path forward but more than ever there is an absolute urgency for government to commit itself only to policies that promote growth.

Strength in HCI Diversity:

Happily, HCI also has its strengths. Primarily these are strong management, good assets as well as real diversity of businesses across the group. Several of these businesses have prospered despite the lockdown. This has allowed HCI to service its debt and meet its overheads despite the devastation of the shut down of hotels, gaming and convention business by state regulations.

Even with the stress of the current pandemic we have been able to protect the upside of our new investments. These remain as exciting as they were last year even though the lockdown has delayed drilling for oil and gas somewhat. Likewise, the processing of the mining right for PTM's world class palladium prospect has been delayed by some months.

These delays, however, have no significant effect other than forcing one to be patient for an additional quarter, and we hope both will demonstrate real progress in the second half of the financial year.

BUSINESSES THAT CARRIED THE FLAG THROUGH THE PANDEMIC

Four businesses in the main carried HCI through its current difficult times despite enormous challenges in each of them.

HCI Coal:

There are fewer businesses perennially beset by as many problems as our coal mining business.

Social disruptions barely retreated after elections. Rains were heavy this year disrupting deliveries for several weeks. As the weather improved Eskom's capacity to take coal became utterly erratic. The electricity corporation failed to renew contracts of its transporters timeously which resulted in it being without transport for weeks. It subsequently went through a period of load shedding which ended only when Covid-19 arrived. Eskom then declared a force majeure as electricity demand retreated. Whether it is entitled to do this contractually seems most unlikely but it is what we must live with for the moment. We hold on to the hope management will at some point in the relatively near future get the corporation to function more efficiently. There is at least a renewed effort in this regard.

These difficulties ran alongside a colourful armed robbery where the culprits, armed to the teeth, attempted to steal all the diesel from our tanks. The effort failed thanks to management having taken the precaution to surround the tanks with a moat too wide for the hoses of their hijacked petrol tanker to cross without losing their vehicle into it.

Opportunities to extend the life of mine of our second mine, Mbali, withered despite a valiant effort on our side. The export price of coal also declined precipitously during the year.

Nevertheless, we have improved its revenue line significantly by changing the product it makes and have also made great strides in doing the rehabilitation work associated with the end of the life of mine that Mbali is approaching.

Notwithstanding all these obstacles, the division had a strongly profitable year producing R100 million in PAT. It remains an even stronger cash producer of the group given its significant depreciation line. Particularly during the pandemic, it has played a key role in stabilizing the whole group through its special status as an essential service.

eMedia:

The Open View box roll out has continued apace. We now have over two million television households connected to our digital satellite bouquet.

Our total share of television audiences has continued to creep up as has our revenue share of television advertising.

Apart from our traditional advertising revenue-based business, our entry into the digital space has allowed us to develop new revenue sharing areas.

These include our relationship with VIU, but subsequent to year-end have expanded to include a revenue share with a gaming channel and shortly will include Wifi connectivity for the home through an attachment to the Open View box. These revenues remain small but are useful enhancements to the underlying profitability of the business.

Construction of our new offices and studios in Johannesburg has been somewhat delayed by the Covid-19 lockdown but remain on track to be ready within our current financial year. Financially the company had a great year. Its profitability almost doubled from last year and it has been able to strengthen its dividend flow significantly at a key moment in HCI's life. This progress is a tribute to the leadership team which has held the reigns tightly as it pressed forward. Somehow, they have grown the traditional advertising business despite a shrinking market, as well as started new green shoots which are developing well.

Hosken Passenger Logistics and Rail:

Over the 2020 financial year the company grew its profits some 15% despite the city declining to renew the N2-Express contract which we had operated jointly with two taxi associations. A significant help in this was the decline in the price of diesel.

The company would no doubt have done even better had the last few weeks of the year not been dominated by school closures and the general lockdown.

Covid-19 suddenly and dramatically transformed the life of the company from March 2020. Many of its employees were exposed to the virus that swept through Cape Town and had to be quarantined. Sadly, five members of staff passed away as a result of their exposure. The virus and consequent lockdowns decimated the number of passengers seeking public transport. By the end of our first quarter these had slowly increased to about half our former regular numbers.

GABS has been obliged by regulation to ensure each bus carries far fewer passengers than previously to ensure social distancing of passengers. The company has been vigilant in ensuring its employees and passengers wear masks and that all hand-holds are constantly sanitized each trip.

We have been obliged to reduce our peak by 300 buses and under the circumstances we were forced to implement a significant retrenchment to contain costs.

The loss of passengers coupled with the carrying restrictions would have caused even greater financial distress to the company and its employees but for a key agreement made with the regional authority to maintain most of the bus subsidy during the period in which passenger numbers are seriously disrupted.

Regrettably, the key dispute with transport unions reported last year persists. At the heart of it is the unions' effort to impose the same percentage increases across the board on workers earning in excess of council rates as are payable to those on the minimum. GABS currently pays a substantial premium on minimum rates but it is not agreeable to being compelled to pay greater amounts than the rest of the industry just because it has been more generous in the past.

Our view remains that it is fundamental to the long-term future of the business that we keep cost escalations in line with increases in subsidy rates and general inflationary increases.

Hopefully we will be able to report next year that this view has gained a wider acceptance among unions than it has had in the pastor alternatively, that at least the company has prevailed in this regard.

We are determined to gradually rebuild the profitability of the company over the year and to continue to provide affordable public transport despite the overwhelmingly negative effect of Covid-19 thereon. We can do this provided we are vigilant on cost control.

With effort, sacrifice and focus we must demonstrate the truth of Friedrich Nietzsche's notion: "That which does not kill us makes us stronger."

A key to HCI's ability to service its debt post the Covid-19 lockdown has been the fact that GABS managed to remain cash positive as an essential service. This allowed it to pay out last year's profit as a dividend at a moment of significant need in its holding company.

Karoshoek:

Construction of this concentrated solar energy project was completed a year ago. Its teething troubles have likewise been fixed and all disagreements about who is responsible for the costs thereof have been amicably resolved.

The plant now operates in the high nineties percent efficiency, very much in line with the original model on which it was funded. There were some issues around dividends as its bankers dragged their feet for four months over it releasing same, but sense ultimately prevailed as the business remains very cash positive.

BUSINESSES THAT HAVE STRUGGLED UNDER CORONAVIRUS CONDITIONS

Properties:

Our property portfolio has grown over the years to include a number of shopping centres, warehousing, office accommodation, inner city residences, several industrial properties and even a 17th century grape farm in Paarl, as well as a convention centre in Midrand. Many of these properties have been greenfield developments or significant redevelopments of older buildings. These have been well planned and executed by two small teams with growing experience and stretch across Deneb, HCI Properties and La Concorde.

By year-end our vacancies across our whole portfolio were at an all time low.

This year we have established our own management company to tenant and self-administer our 1 000 odd residential units in Johannesburg rather than outsource this function as we did while building the portfolio.

We were poised to expand into the student accommodation area with a new development and intended this accommodation would similarly be administered by our newly formed management company.

The effect of all this good work was that the profitability of HCI Properties grew from R68 million last year to R85 million this year as well as providing the central earnings servicing debt in Deneb.

Any other time we would simply be reporting a great year for the division and focusing on further developments planned. Unfortunately, the Covid-19 pandemic has rather changed that for the moment as the lockdown wrecked much progress in the division.

It prevented a great many residential tenants from leaving their residences other than to occasionally shop. They struggled without adequate income and we were obliged to accommodate rental relief requests; likewise, many small businesses and professional offices were forced to close their doors through the lockdown. There was a general argument raised that no rental was payable where people were prevented by regulation from trading. Irrespective of the legal merits of this, one had to be realistic and accommodate pleas for rental relief in such cases and even where tenants were allowed to partially trade, granting rental deferments was unavoidable.

Given that the division is geared, the failure to collect much rental due has moved this division from a bustling growing portfolio to one that is clinging to its cash resources.

Ultimately, we remain confident that the division is perfectly sound, that the rentals on our properties will recover and that division will continue to grow. Nevertheless, the disruption has effectively set the division back at least a year and quite possibly some properties like the convention business will take longer to get back on their feet.

Manufacturing and Distribution:

Despite some weak areas, Deneb was having a reasonable year until the last few weeks of the financial year. We had decided to dispose of both Winelands and Frame Knitting. The former was finally sold just a few weeks before the lockdown while discussions to dispose of Frame Knitting were aborted and we decided to close it down.

Virtually all its manufacturing businesses were obliged to close in the lockdown.

Reopening has its own difficulties, particularly with all the limitations required to comply with health and safety requirements to meet the pandemic.

This is by no means just a South African problem. Oops which sells into the Northern Italian market was particularly hard hit as thousands of deaths overwhelmed everything in their neighbourhood for months.

We reported last year that Formex had committed to a significant expansion. Having added capacity just as the world imploded was seriously unfortunate timing. We hope the recovery of the motor assembly industry will be relatively rapid but clearly the company has a harder road to travel than we had anticipated when we commended the expansion.

The closures of subsidiaries within Deneb is very damaging to the earnings/loss of the manufacturing and distribution holding company, yet steadily cleaning it out of marginal businesses has been unavoidable. In many ways we could have saved ourselves a lot of effort and frustration by simply closing them all down in the first place; but there are many considerations, including the loss of livelihoods of many people, that oblige one to try to save whatever can be saved. We still have one or two businesses that are weak and may not survive but the losses they will generate on closure are not nearly as significant as the ones we have had to shut down already.

In times like these of the current pandemic, reinventing businesses, finding new things to do and new people to sell to is a must if one is to survive. Those who have the commitment to doing so may just emerge stronger than they were. We are lucky to have innovative and determined people running each of our divisions. We are committed both to outlasting the ravages of Covid-19 and to growing into new spaces that are opened up by it passing through our lives.

Casinos and Hotels:

For the last decade and more, the majority of the value sitting in HCI has been its interest in Tsogo Sun. Actually, the HCI share price might fairly be described as a discounted proxy for the Tsogo share price through most of that period. More importantly, Tsogo's dividends have been the primary base that has allowed HCI to build its interest in other sectors.

We restructured the company to separate the hotel business from the gaming business last year. Since then a number of changes have been implemented to thin out the corporate head office and more broadly to reduce overheads. While such changes are always costly up front, the benefit is a recurring improvement to the bottom line.

Our hope was that our financial 2021 would have seen the benefits of these changes come through to its bottom line. In its place the whole business was shut down for months. The combined cash cost of both businesses standing amounted to over R200 million a month.

We made the most extensive proposals to government undertaking many modifications to the way in which we conduct business, the combined effect of which was to reduce the risk of transmission of the virus to levels well below that of hosts of industries that had been permitted to reopen. After a hiatus of three months in which we were effectively completely barred from trading, rationality ultimately prevailed before irreversible damage was done to fundamentally good businesses. The reopening of casinos has been more rapid than that of hotels primarily because players generally live close to the casinos. Hotels, on the other hand, generally rely on both international and domestic leisure and business travel across regions and accordingly reopening air travel is a vital part of the lifeblood of that industry. In truth, until international travel resumes, our hotels will suffer. Hopefully, however, this will simply reduce their profitability rather than keep them closed for months on end.

UPSIDE OF NEWER INVESTMENTS

Impact Oil and Gas:

The lockdown has caused delays in the drilling programme both in Mossel Bay and in Namibia but both blocks remain high on the priority list of Total and it remains committed to the drill programme albeit that it has renegotiated contracts with the drill rigs providing for a delay of the start by a maximum of 120 days.

Exxon Mobil followed by Equinor decided to relinquish their interests in the Transkei block rather than commit to a concrete work programme in the new phase we are to enter. This appears to be partly caused by Exxon Mobil's competing interests in Mozambique and partly a concern at the endless filibustering of Government which is yet to pass the Mineral Resources Petroleum Development Act ("MRPDA") after years of consultations.

While this is disappointing, we accepted it rather than allow ourselves to be drawn into another phase with only a contingent work programme. Explorers need to explore, and we believe the prospectivity of the block is exciting enough to attract other majors as partners who will be committed to commissioning a 3D Seismic study in the phase and progressing the exploration work needed.

We continue to await progress with the processing of the MRPDA which remains interminably slow. No doubt the Covid-19 lockdown has not enhanced the speed of this Bill reaching Parliament but it remains a truly poor statement of the Government's capacity to enact key laws regulating the development of the oil and gas sector after so many years of tampering with it.

Platinum Group Metals:

Over the course of the year PTM completed its Feasibility Study which showed the prospect to have some 19,5 million ounces of proven and probable resource, 63% dominated by Palladium, making it a world class opportunity.

The company also raised equity to reduce the debt within the company as well as rescheduled the repayment date of the remaining debt until 2022. HCI participated in this fund raise, increasing its stake in the company to 31.6%, making it the largest single shareholder in the company.

The completion of the Feasibility Study triggered the clock on the commencement of the Impala option to acquire control over the prospective mine. The slowness of the processing of the mining right, however, threatened to create a situation where the option would expire prior to the granting of a mining right.

As a result, PTM agreed to an amendment in the arrangement whereby Impala would be granted an extension of time on the option until three calendar months after the granting of the mining right; in return, Impala agreed to fund further work to enhance the feasibility and shorten the period proposed for the construction of the mine.

Subsequent to the outbreak of Covid-19, Impala decided it was not prudent in relation to its balance sheet to take on the responsibility for developing this mine and indicated it would complete the additional feasibility work it had suggested to enhance the returns of the project but that it was declining its option. It remains a 15% participant in the project with a right of last refusal to match other offers to process the mine's concentrate.

While this obliges PTM to go down a much harder road, it will not necessarily be less lucrative and will place it at the centre of the development. It does however have to step up to the plate in both leading the fund raise and selecting key staff to manage the development.

In the meantime we are pressing ahead with the application for the mining right and hope this will not take much longer to complete.

CLEANING UP LOOSE ENDS

Niveus and La Concorde:

Subsequent to year-end, HCI succeeded in resolving litigation obstructing the delisting and winding down of Niveus on the basis that the challenge to the scheme would be withdrawn and each party would pay its own cost. This has allowed us to pay remaining shareholders out R2.40 a share and delist the company.

An odd lot offer and a voluntary general offer were made to La Concorde shareholders which resulted in HCI increasing its stake to 88.6%.

We have also ensured that all former employees of KWV who were entitled to benefits through the KEET trust were paid out their interest in the trust set up for the benefit of La Concorde employees. In due course we will wind down that trust.

We feel we have now made every reasonable attempt to offer shareholders a sensible exit and those who did not take advantage of it must simply remain minorities in a company that has virtually nothing to do with its origins.

The result of this essential housekeeping, subject to a fair burden of administration work, is that we will be left with a number of properties which we will either sell or absorb under the management of HCI Properties. There is also an art collection and two small businesses which we will manage directly or dispose of. Lastly, there is some cash which we will apply to new purposes as we see fit in the future.

Ithuba Dispute:

Last year we reported on a substantial disagreement with the operators of the National Lottery, Ithuba. This dispute was referred to a three-judge arbitration panel on the basis that there would be no appeal against the award.

An award was made in favour of HCI but Ithuba was determined to frustrate it. As a result we were forced to face applications for a stay of a court order to enforce the award, an application for a review of the award and a dispute before the competition authorities as to whether we could exercise our agreed rights of oversight over the business. Ithuba then purported to unilaterally cancel the agreement granting us rights of oversight, which was essentially a variation of the same game that lead to the arbitration in the first place. Having waited a year for the competition tribunal to finally hear the challenge, the tribunal declined to hear the matter and adjourned it indefinitely. Despite this barrage of obstruction, we persisted with our view and are pleased to report that the matter has finally been settled on a satisfactory basis which we felt was reasonably reflective of our interest in the matter.

Hopefully, this successfully brings to an end an exceptionally challenging encounter.

HCI FOUNDATION

Our Foundation has a long history of focussing on tertiary educational bursaries. In light of government's commitment to significantly widen the scope of the work of NSFAS, the state funded bursary fund, we had planned to reduce the numbers of tertiary student bursaries. In its place we started concentrating more on Early Childhood Learning Centres and schooling. In addition, we continued to support projects being run by some 110 NGOs around the country sing on youth development, placement of people in work, teacher training, environmental projects and other broad social issues that seemed meritorious. While there is never enough money to do everything one wants, we managed reasonably successfully.

The end of the year was unavoidably coloured by the scourge of Covid-19. Though the Foundation's involvement in attempting to respond to the social pressures Covid-19 has generated is essentially a post year-end series of events, it seems important to include the Foundation's campaign run jointly with eMedia. This campaign raised money for food distribution during the first weeks of lockdown.

Some R19 million was raised, which we converted into a little over 51 000 boxes of food, each sufficient to feed a family of four for a month.

The boxes were allocated, via The Lunchbox Fund, to NGOs with whom we have built long standing relations to distribute to their constituencies, all of which were decidedly compromised by the lockdown. The number of boxes given to each organization was based on our Foundation's assessment of their capacity to distribute them effectively, and our internal audit company, GRIPP, conducted substantial checks to ensure boxes were handed out to the intended recipients.

While in the scheme of things it was a small contribution to an overwhelmingly huge problem, we are immensely grateful to the public for responding with such generosity at an awful time for so many. Likewise, we are pleased to have been able to harness the network of NGOs with which our outreach work has entwined us, to effect a fairly rapid and spotlessly transparent food distribution to tens of thousands of needy families they help in different ways.

HCI BOARD

Nqobani Mkwanazi and Laurelle MacDonald joined our board since our last report. Bani previously worked for our property division for several years and Laurelle is the Financial Director of Tsogo Sun Hotels. Both are very familiar with the company and its work and are skilled additions to the board. We think of ourselves as being extremely fortunate to have been able to recruit them and wish them the best.

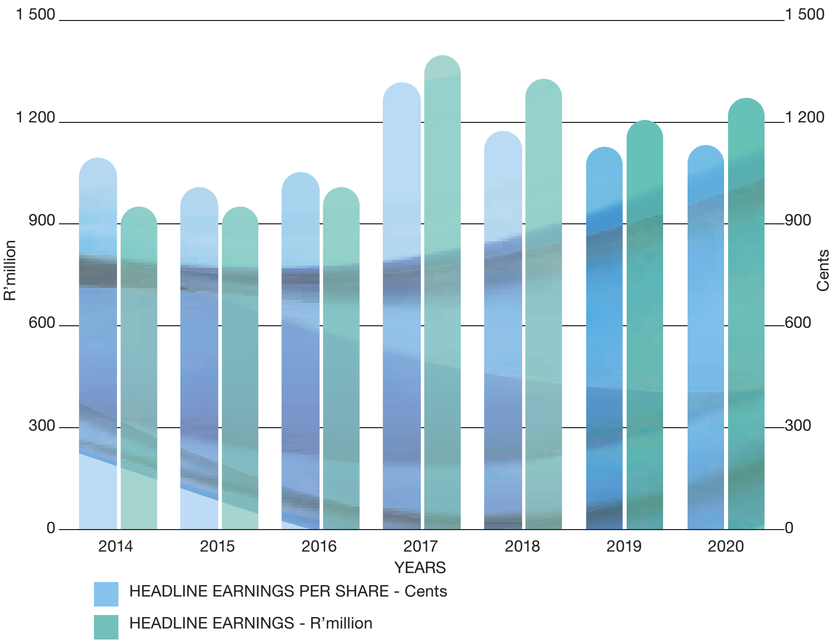
John Copelyn
Chief Executive Officer
Cape Town
24 August 2020

FINANCIAL HIGHLIGHTS

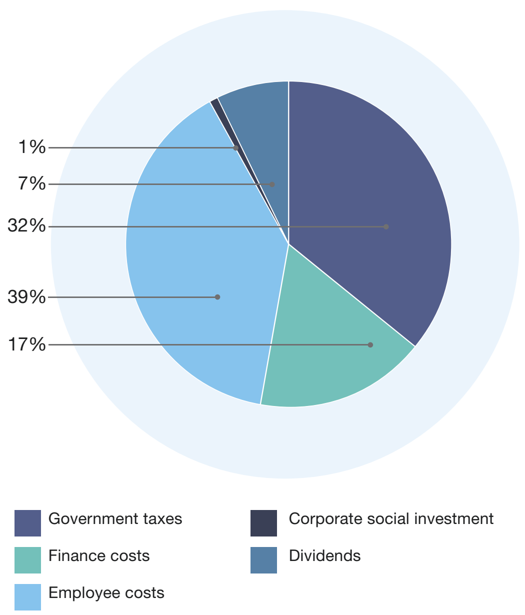
SEVEN YEAR REVIEW

		2014	2015	2016	2017	2018	2019	2020
Shares in issue (net of treasury) - at year-end	- million	106 176	104 040	104 108	95 336	85 882	84 875	80 870
Share price - high	- cents	15 543	18 068	16 460	15 000	16 299	15 650	10 000
- low	- cents	11 001	12 999	9500	10 450	11 691	10 206	1 999
- at year-end	- cents	14 950	14 500	11 202	14 185	14 400	11 179	2 200
Dividend per share	- cents	140	165	190	215	240	265	55
Net asset carrying value per share	- cents	11 391	14 390	15 887	17 897	17 785	19 043	17 785
Headline earnings	- million	1 086	1 000	1 044	1 306	1 164	1 029	1 047
Headline earnings per share	- cents	946	946	1 003	1 385	1 316	1 200	1 263
Revenue (Including net gaming win)	- million	9 084	17 257	21 542	23 116	23 802	25 125	25 795
EBITDA	- million	1 652	4 108	5 749	6 535	6 286	6 589	6 762
Profit/(Loss) after tax	- million	1 266	4 456	2 122	3 274	1 976	1 664	(7 325)
BBBEE certification	level	2	2	3	2	2	2	2

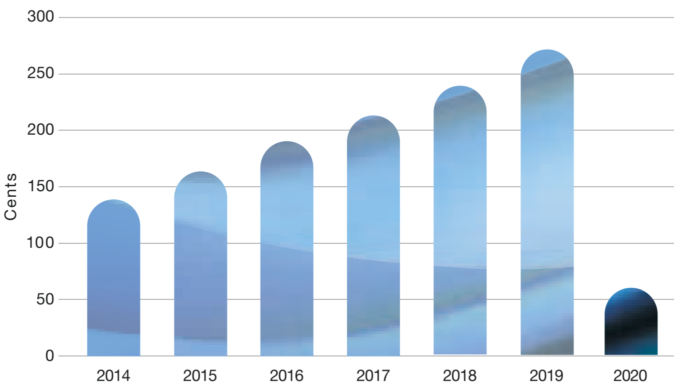
HEADLINE EARNINGS



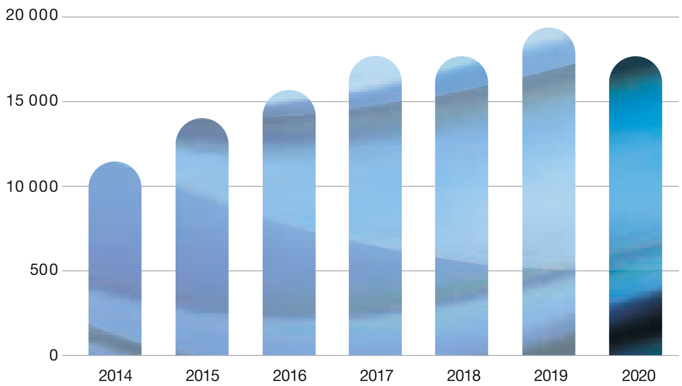
VALUE ADDED STATEMENT 2020 : R13.2bn (2019 : R12.7bn)



DIVIDEND PER SHARE



NET ASSET CARRYING VALUE PER SHARE



GEOGRAPHICAL FOOTPRINT

COMPANIES

- eMedia Holdings
- Deneb Investments
- Hosken Passenger Logistics and Rail
- HCI Coal
- HCI Properties
- Business Systems Group (Africa)
- Impact Oil and Gas
- Karoshoek
- La Concorde
- GRIPP Advisory
- Alphawave

Tsogo Sun Holdings

- Hotels
- Gaming

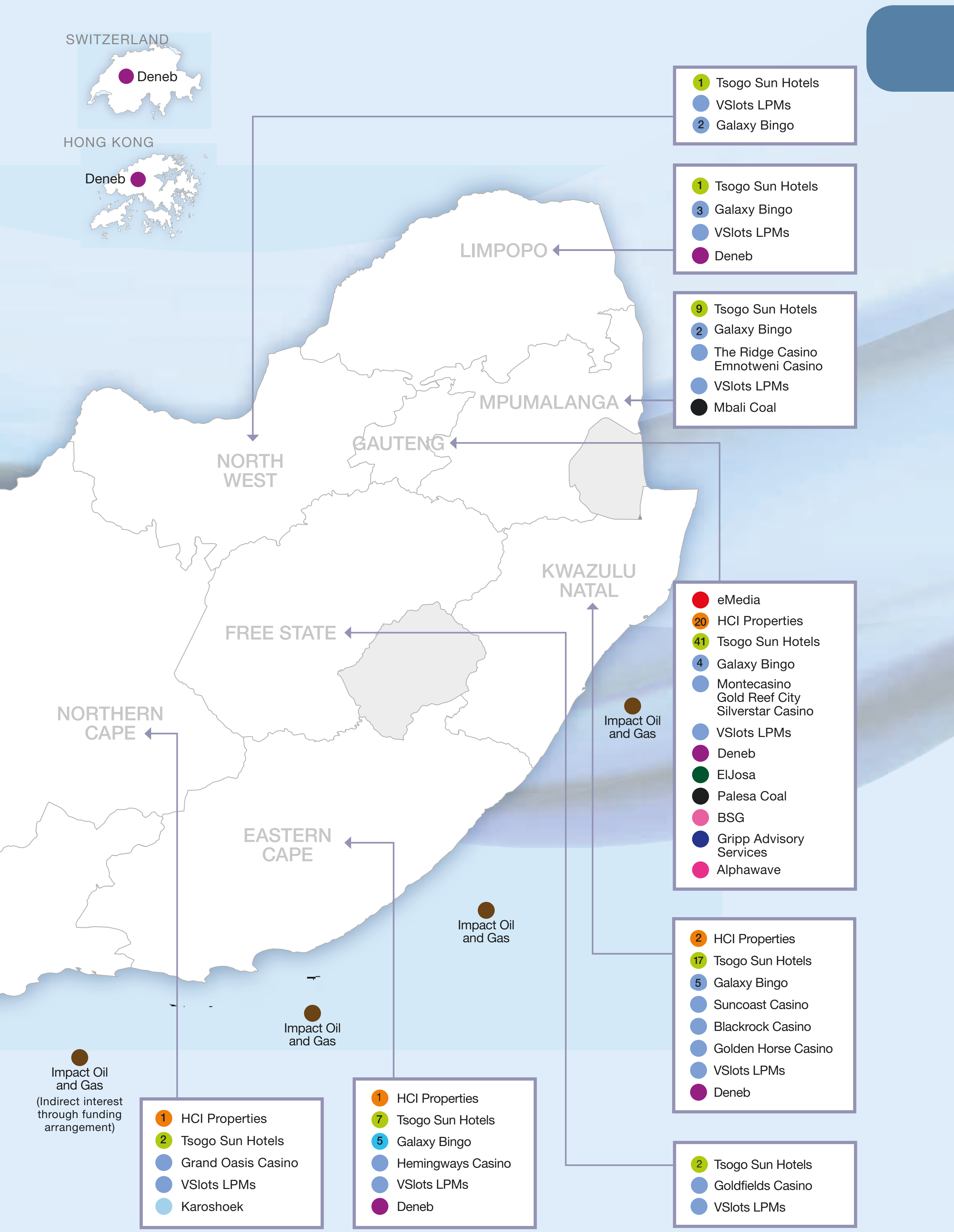
  Casinos

  Galaxy Bingo

  Vukani Gaming

  VSlots LPMs

- eMedia
- 6 HCI Properties
- 20 Tsogo Sun Hotels
- The Caledon Casino
- Mykonos Casino
- The Garden Route Casino
- VSlots LPMs
- Deneb
- Golden Arrow Bus Services
- ElJosa
- BSG
- GRIPP Advisory Services
- Alphawave
- La Concorde


SWITZERLAND
Deneb
HONG KONG
Deneb
LIMPOPO
MPUMALANGA
GAUTENG
NORTH WEST
KWAZULU NATAL
FREE STATE
NORTHERN CAPE
EASTERN CAPE
1 Tsogo Sun Hotels
VSlots LPMs
2 Galaxy Bingo
1 Tsogo Sun Hotels
3 Galaxy Bingo
VSlots LPMs
Deneb
9 Tsogo Sun Hotels
2 Galaxy Bingo
The Ridge Casino
Emnotweni Casino
VSlots LPMs
Mbali Coal
eMedia
20 HCI Properties
41 Tsogo Sun Hotels
4 Galaxy Bingo
Montecasino
Gold Reef City
Silverstar Casino
VSlots LPMs
Deneb
ElJosa
Palesa Coal
BSG
Gripp Advisory Services
Alphawave
Impact Oil and Gas
Impact Oil and Gas
Impact Oil and Gas
Impact Oil and Gas
(Indirect interest through funding arrangement)
2 HCI Properties
17 Tsogo Sun Hotels
5 Galaxy Bingo
Suncoast Casino
Blackrock Casino
Golden Horse Casino
VSlots LPMs
Deneb
1 HCI Properties
2 Tsogo Sun Hotels
Grand Oasis Casino
VSlots LPMs
Karoshoek
1 HCI Properties
7 Tsogo Sun Hotels
5 Galaxy Bingo
Hemingways Casino
VSlots LPMs
Deneb
2 Tsogo Sun Hotels
Goldfields Casino
VSlots LPMs