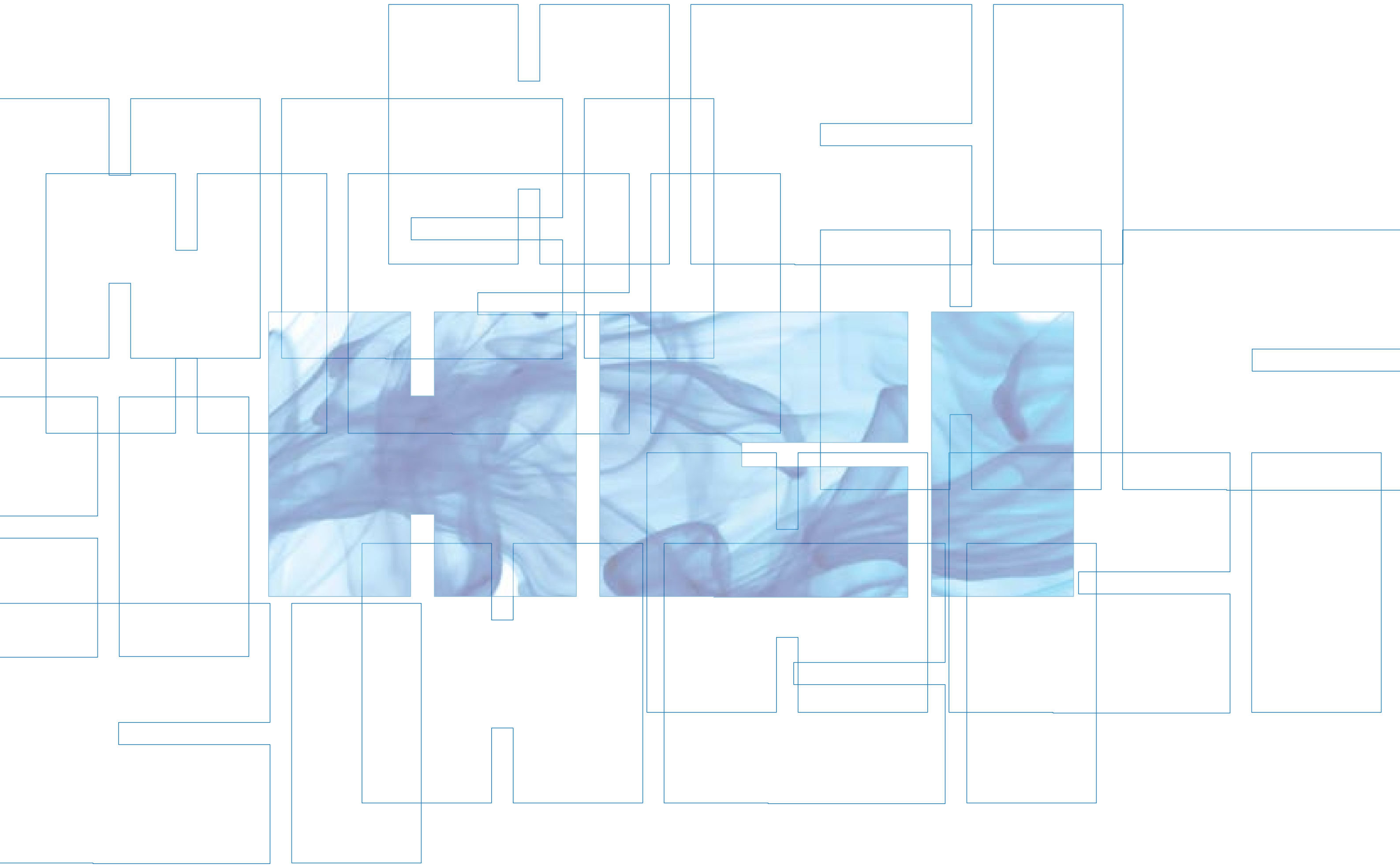


INTEGRATED ANNUAL REPORT

Hosken Consolidated Investments Limited

2022

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 2021 to 31 March 2022. 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.

The group operates principally in South Africa and generates most of its revenue from South Africa. The geographical footprint of the group is provided on pages 10 and 11 of this 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.

Other administrative information also forms part of the report and can be found on the inside back cover.

The consolidated and seperate annual financial statements, notice of the annual general meeting and proxy form have been distributed as separate reports.

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 the 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.tsogosungaming.com; www.southernsun.com; www.frontiertransport.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; and
- annual financial statements

The integrated annual report to stakeholders 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 business entities 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 26 July 2022. 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 annual financial statements is available on request from the company secretary at cshapiro@hci.co.za or The Company Secretary, P.O. Box 5251, Cape Town 8000.

Our annual financial statements for FY2022 are available online at www.hci.co.za

FORWARD-LOOKING STATEMENTS

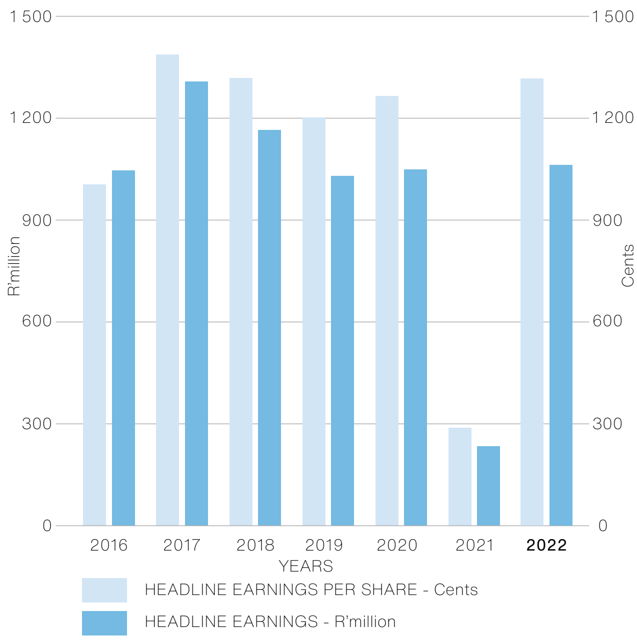
This integrated annual report contains certain forward-looking statements which relate to the financial position and results of the operations of the group. These statements by their nature involve risk and uncertainty as they relate to events and depend on circumstances that may occur in the future.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

FINANCIAL HIGHLIGHTS

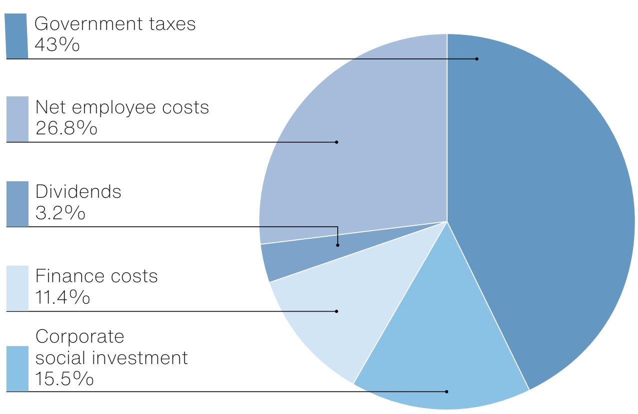
SEVEN YEAR REVIEW

		2016	2017	2018	2019	2020	2021	2022
Shares in issue (net of treasury) - at year-end	- million	104 108	95 336	85 882	84 875	80 870	80 870	**80 870**
Share price - high	- cents	16 460	15 000	16 299	15 650	10 000	7 250	**12 767**
- low	- cents	9500	10 450	11 691	10 206	1 999	1 600	**4 731**
- at year-end	- cents	11 202	14 185	14 400	11 179	2 200	6 352	**11 800**
Dividend per share	- cents	190	215	240	265	55	0	**0**
Net asset carrying value per share	- cents	15 887	17 897	17 785	19 043	15 269	14 917	**17 708**
Headline earnings	- million	1 044	1 306	1 164	1 029	1 047	233	**1 069**
Headline earnings per share	- cents	1 003	1 385	1 316	1 200	1 263	288	**1 320**
Revenue (Including net gaming win)	- million	21 542	23 116	23 802	25 125	21 159	14 087	**19 130**
EBITDA	- million	5 749	6 535	6 286	6 589	5 590	3 094	**5 023**
Profit/(Loss) after tax	- million	2 122	3 274	1 976	1 664	(7 325)	(982)	**3 202**
B-BBEE certification	- level	3	2	2	2	2	3	**2**

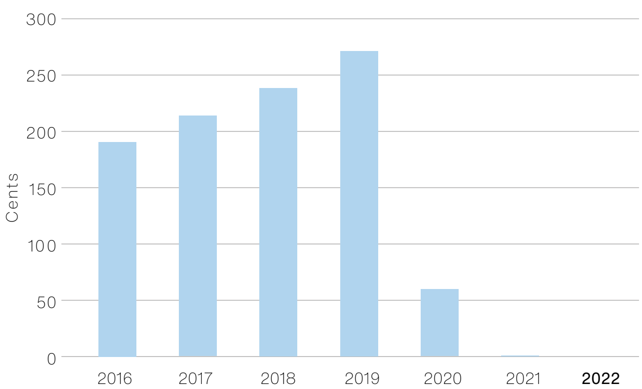
HEADLINE EARNINGS



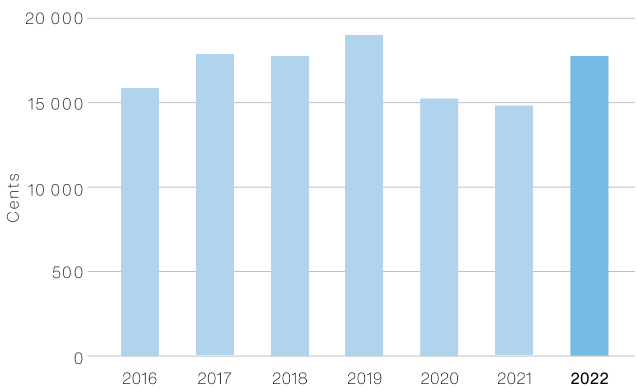
VALUE ADDED STATEMENT 2022 : R8.8bn (2021 : R6.5bn)



DIVIDEND PER SHARE



NET ASSET CARRYING VALUE PER SHARE



LETTER TO SHAREHOLDERS

JA Copelyn
Chief Executive Officer

Last year we reported that our key achievement was surviving the most bitter storm of a pandemic that threatened the very existence of our company. That success had two key components. The first was reducing our debt to the satisfaction of the banks without fire sales of assets or a rights issue in any of our businesses. The second was protecting the growth prospects of our business by meeting the cash needs of growing associate companies despite the general stress within our holding company.

This year we start with the fruits of that success and the controversies it entailed.

Impact Oil and Gas:

The key event in the life of HCI in the last year, overshadowing all doom and gloom caused by Covid and the unspeakable orchestration of looting that overtook many parts of KZN and some of Gauteng in July last year, has been our discovery of oil and gas offshore Namibia. This discovery has the potential to be utterly transformative for the Namibian economy in a few years. The current GDP of that country is about $11 billion a year. The development of our blocks over the next eight to ten years could well result in it producing a million barrels of oil a day or more, as well as extracting huge volumes of gas. If this takes place, the oil alone will add some $35 billion a year to the GDP of Namibia at current prices. The effect on its government will be even more dramatic. The state budget is currently about $4 billion a year. It will earn more than 60% of oil revenues in one form of taxation or another, lifting its funds above $25 billion a year. Further, our discovery is not the only one in that country to date, nor is it necessarily the last.

The discovery will no doubt create major challenges for Namibia. If it can manage these challenges well it ought to allow the country to lift itself by its own bootstraps unrecognizably. It is our fervent hope that it will succeed and that our exploration work, as well as our subsequent farm-out to Total will have played a key role in facilitating this.

As much as Namibia has its work cut out to absorb this windfall, so HCI, likewise, is greatly challenged to turn our participation in this discovery to the most lucrative outcome we can. We are too small a company to follow successful exploration like this through development phases which will themselves cost tens of billions of dollars. Even so, the discovery has almost doubled the price of our share and we hope to be able to extract a fair value for our participation to date over the next year or two.

Alongside this success, we have experienced major opposition from Greenpeace and other groups doing their best to obstruct exploration work in South African blocks. Environmental groups argue that there has been enough oil and gas discovered in the world to carry it through a transition period during which the world should be converting all energy sources to wind and solar solutions. In the circumstances they believe there should be no exploration for hydrocarbons in South Africa whatsoever and we should simply import the fossil fuels we need in the short term while we convert as rapidly as possible to renewable sources of energy.

Their approach has been supported by much of the local media as well as many academic and other think tanks. Recently a two-year study by the National Business Initiative ("NBI"), Business Unity SA and Boston Consulting Group was published promoting a model road map for South Africa to move beyond fossil fuels. It states that the road map was developed "in consultation" with more than 400 expert stakeholders in business, government, civil society and labour and that it presents "a range of scenarios, each of them feasible, net zero and within the realms of possibility". Admittedly, the writers qualify this by adding that the chances of success of each scenario depend on "highly complex" factors including "major policy decisions, enormous mobilization of finances, disruptive behavioural changes, our ability to rapidly reskill workers... and factors out of our control like global economic and technical drivers."

The model presented essentially suggests that South Africa must produce and maintain 9GWatts of new wind and solar energy a year for the next thirty years to provide 74% of the country's electricity needs by 2050, including provision for the conversion of vehicles from internal combustion engines to electric vehicles. It has it that the country will provide for daily peaks in demand by storing electricity in batteries for up to eight hours and that we will replace natural gas needed for firing peaking plants with green hydrogen gas.

HCI recognizes the need to respond as best we can to the challenges of global warming. It is the responsibility of each company, including HCI, to contribute to the transition replacing fossil fuels with renewables, and we like to think we are playing our part.

Pursuant to this, we bought a renewable energy company, Montauk, more than a decade ago. We supported it through its bleakest moments when the price of its renewable gas collapsed from $13 to $2 per MMBtu. Its fixed price puts against Lehman Brothers hedging $4 million of debt failed as that bank went simultaneously into receivership. We funded Montauk to the point where it was self-sustainable despite the enormous stress that this created for HCI for several years. When it was no longer threatened, we listed it separately and offered it to our shareholders. Each HCI shareholder received 1,2 Montauk shares for every HCI share. Today, this company reduces emissions equivalent to more than 7,8m metric tons of CO_2e a year and has a market cap twice that of HCI.

We have also invested hundreds of millions of rand into concentrated and PV solar energy projects. We are hard at work planning the conversion of our transport subsidiary's bus fleet to electric buses which will involve investing more than R250 million a year in such buses for a decade and a half, aside from establishing our own assembly plant and path to wheeling green electricity.

We are investing hugely in our motor component company, acquiring a new property and fitting it with 1 600 ton presses capable of pressing much larger parts appropriate for electric vehicles. We are the largest single investor in a new PGM mining opportunity and its startup technology company researching the use of palladium coatings to enhance the efficiency of batteries. We are involved with treatment of water waste and the recycling of over 5 million plastic bottles a year.

For a small investment holding company we are unquestionably punching above our weight in efforts to recycle waste and to promote a move to greener solutions away from dependence on fossil fuels.

Nevertheless, arguments centred on replacing our country's entire electric grid with wind and solar based solutions and converting all petrol and diesel vehicles and trucks to electric are simply not attainable in the time frames offered in the NBI report. We are a country with an installed capacity of about 58GWatts of electricity. Our Renewable Independent Power Producer Programme ("REIPPP") has created less than 9GWatts of renewable energy in the last decade despite its success. With the best will in the world, no matter how fast we try to develop green solutions to powering the grid, we are highly unlikely to totally eliminate the need for fossil fuels in our energy mix for decades. Nor are we likely to avoid load-shedding if we don't have peaking plants fired by natural gas that can be turned on and off to balance demand and supply. We must not lose sight of the fact that, unlike European countries, South Africa is completely isolated from support and cannot draw power from its neighbours. Every breakdown, adverse weather event or surge in demand has to be catered for from our own spare generating capacity.

Whether green hydrogen can be developed to replace natural gas in a decade remains to be seen but such hydrogen-based development is absolutely in its infancy currently. Speculating on the speed at which it will develop seems utterly premature. Replacing the world's current use of gas would require about 1,25 billion metric tons of hydrogen a year and it currently produces only about 75 million metric tons (most of which is not green but is made from methane rather than water) and it is expected to grow only at single digit percentages per annum for the next decade.

Realistically, South Africa also has virtually no prospects of completely eliminating the need for access to refined fuels for transport by 2050.

We have struggled to appreciate the logic in the idea that, because other countries found oil before we did, this should mean that we must import their oil to their great economic advantage at more than double the cost to our fiscus rather than develop our own resources. Dependence on imported fuel places any country in the most vulnerable position, as Western Europe has discovered to its great displeasure.

We think it is a false logic to insist that sourcing needed fuel locally makes no difference to South Africa. It seems blind to us not to see what a staggering difference it will make to the state's financing, its ability to increase poverty alleviation programmes, increase infrastructural development and generally promote the growth of our country's economy.

We do not suggest we should hold back any programme to develop renewable energy or to efficiently store it. Quite the contrary, the faster we proceed with such solutions the better. We simply say that importing fossil fuels for the transitional decades is no solution to our pressing need for fossil fuels in the meantime.

As important as our discovery in Namibia is for that country, South Africa has as much to gain from finding such reserves in its territorial waters and the failure to explore will not lessen our dependence on fossil fuels. It will simply make their use far more expensive to our economy.

The fact that HCI has persisted in efforts to explore our oceans for hydrocarbons has meant it has been targeted in social media and other campaigns aimed at resisting South Africa developing its own oil and gas reserves. Despite the fierceness of the environmental lobby attacks on exploration work we cannot solve the problems of global warming simply by bad mouthing every company that seeks to explore for hydrocarbons in South Africa and trivializing the significance of huge direct foreign investment into our country that success will cause. It may sound progressive to some ears, but we cannot simply wish away our dependence on fossil fuels by insisting on greener solutions more rapidly than is possible.

Recovery of HCI Operating Businesses:

Prior to Covid, HCI typically earned about R1,1 billion a year in headline earnings. The extreme effect Covid had on the group last year is amply demonstrated by the fact that our earnings that year were reduced to R230 million of which R180 million was essentially a windfall occasioned by the settlement of our dispute with Ithuba. The hotel sector in particular experienced a negative swing of R418 million from the previous year and gaming a further R688 million in our earnings. If not for the robustness and diversity of our smaller assets, long-term damage to the group would have been unavoidable. As it has turned out, however, we can simply put it down to what Queen Elizabeth once aptly described as an "annus horribilis".

This year we are pleased to report there has been an equally spectacular return to profitability in the group with its headline earnings back at R1,1 billion. This result deserves nothing less than a celebration for the implacable resilience exhibited in each of our subsidiaries and associated companies in the face of great adversity. I would like to take this opportunity to thank the leadership of each business entity in which we are fortunate to hold equity for the steady hands and fortitude with which they managed their businesses through the pandemic.

Tsogo Sun Gaming:

Our single most valuable operating enterprise has long been Tsogo Gaming. The recovery of this business, already anticipated in last year's report, continued throughout FY2022. The business succeeded in reducing its debt from a peak of R12,1 billion in June 2020 to below R9 billion by March 2022 and increasing its EBITDA for the year above R3 billion. This has brought the business back within its pre-Covid banking covenants. Its contribution to our headline earnings of R622 million is virtually at the pre-Covid level in FY2020 when it contributed R667 million. It did this despite curfews, reduced machine availability to accommodate requirements of National Disaster regulations, severely restricted entertainment offerings and a complete shutdown for the month of July. Unquestionably it will be back to paying dividends later this year.

Southern Sun Hotels:

The R318 million losses we reported last year shrank to R35 million in the current year. Hotel occupancies continue to climb slowly. As hoped for in our last report, the company has returned to a positive cash flow after servicing all cash costs including interest. It has also reopened virtually all its hotels as guests steadily return to travel.

The company has closed two transactions of significance since our last annual report. It has sold its interest in its hotel in Ikoyi subject to various regulatory approvals and has also agreed with Tsogo Sun Gaming to release its evergreen management contracts in relation to various hotels owned by the gaming company in exchange for a mixture of cash and hotel assets. Once completed, these transactions should result in the debt within our hotel associate being reduced below R2 billion which is an unthreatening number in its business going forward and we expect the company to be profitable again in the current year.

HCI Coal:

Our coal division had an exceptionally good year. It lifted its earnings from R119,3 million the previous year to R181 million. The company has been in discussions with Eskom over that utility's need for its suppliers to improve the quality of their coal and, in particular, to decrease levels of ash and sulphur to meet the SOE's commitments to reduce its total emissions in the shortest possible time.

We decided to invest R120 million in a new air plant which will achieve these objectives and in addition will require far less water to operate the mine. The new plant should be functional from the end of August 2022 and we hope the capital invested will enhance the prospects of the mine remaining in operation beyond the expiry of the current contract with Eskom which ends in September 2024.

eMedia Holdings:

This business is in the eye of the storm around Government's digital migration efforts. It is now about sixteen years since South Africa undertook to clear a portion of the radio frequency spectrum licensed to eTV for the exclusive use of transmission of mobile data. We set out in our last report our view on Government's failure to migrate analogue television audiences to digital platforms and our concern that its indifference would simply lead to it cutting off millions of households from access to free TV.

A year later despite our protests, the Minister proceeded to announce the imposition of a total switch off of analogue TV across the country from 30th June 2022. Her announcement flew in the face of the facts that some 3 million television homes remain connected only via analogue transmission and that in sixteen years the state has migrated only one million homes, less than 6% of television households, to its terrestrial digital platform (DTT).

DTT's audience reach is so minute as to be completely unaffordable to free television channels beyond that of a handful of transmitters in major urban centres. Accordingly free television is likely to only be available on satellite.

Despite this the state has declined to subsidize indigent households moving to Openview. DTT remains the only platform to which indigent households can be connected with a state subsidised box and installation. As witness to the abject failure of state policy, hundreds of thousands of DTT boxes purchased for that purpose have been lying unused for many years in the Post Office.

The sudden rush to switch off analogue television after years of inactivity appears to be caused by the state finally awakening to the need to offer more spectrum to telcos for 5G services. As it turned out only 9 of our 93 analogue transmitters across the country use spectrum the state wanted to auction to telcos for this purpose. We accordingly suggested we retune these 9 transmitters to other available frequencies outside the auctioned spectrum. This would allow the telcos to get on with providing the new services needed in the country without interference from television broadcasts, while allowing the state more time to migrate analogue audiences. To our total amazement this offer was met with complete hostility by the state which to date appears uncomprehending of the proposal or the benefits thereof to indigent households.

Multichoice added salt to the wound and took the opportunity of satellite becoming virtually the only digital platform available to television households, to remove four Openview channels from DSTV. It did so despite the fact that these channels were made available for years to it free of charge and were amongst its most watched channels on its bouquet. It seems however DSTV calculated it could reduce the audiences watching these channels significantly by cutting them off from nine million television households and thereby increase its own market share of television advertising.

Fortunately, just two days ahead of the implementation of this Ministerial decree we have finally been able to have it set aside by the Constitutional Court. The Minister's indifference to the abruptness of the switch off despite the enormous numbers of households to be cut off was said to be irrational and she was ordered to properly consult with us. Hopefully this will allow her to consider the solution we offer to allow some three million free television homes to migrate to a free digital platform of their choice at a more realistic pace, while ensuring that the roll out of 5G telecommunications on spectrum auctioned for the purpose is not delayed thereby.

We remain with the key challenge to restrain MultiChoice from what we consider to be a gross abuse of its market dominance. The matter of MultiChoice removing our four channels from the DSTV platform has been heard before the Competition Appeal Court and is currently awaiting judgement.

Despite these challenges to the future of free television, the performance of eMedia again shot the lights out. Its audience share continued to climb and ended on 34,1%, significantly larger than the DSTV share (29%) or that of SABC (27%). Our advertising revenues outperformed the recovery of television adspend, growing 15% faster than the average. The roll out of Openview has picked up pace and now activates about 2000 new connections a day. Its audience is now approaching 3 million households.

We launched eVod as a free OTT service. This has grown extraordinarily month-on-month. It achieved roughly 22 million minutes a month of viewership in March 2022. That figure has in turn already doubled in the last 3 months.

HCI's headline earnings from eMedia grew from R83,9 million in the previous year to R264,9 million currently.

Frontier Transport:

Our transport subsidiary continued to regain its passenger numbers and was carrying some 90% of its pre-Covid numbers by year end. This figure has continued to grow after year end and we are currently virtually back at pre-Covid levels. Our headline earnings grew from R176,5 million the previous year to R218,9 million, which is a great improvement.

We continue to resist the collaboration of our competitors with the unions to try to force us to maintain our wages at a 40% premium to their own wage levels. The abusive mechanism used to achieve this is imposing an obligation on competitors to increase their actual wages by the same percentage that minimum rates are increased irrespective of the fact that the base paid is much higher. The dispute continues without resolution as we await various court dates, but our determination to end this inequitable arrangement remains as strong as it was in the first place.

We have reached agreement with CODETA to resume the N2-Express route for My Citi together on the same basis as before. As a result, we have started operating the route again with some 40 buses.

Our trial with electric buses has gone well and we have ordered electric buses to integrate into our fleet as soon as they can realistically be delivered. We are now focused on increasing the power supply to our depots so as to be able to charge a reasonable number of such buses as well as introducing a solar solution to contribute thereto. This fleet conversion will take many years to complete but we are pleased with the start we have made.

Manufacturing and Distribution:

Our headline earnings from Deneb increased from R95,2 million to R128,4 million in FY2022 which is another good improvement. After a full decade of the business struggling to rescue itself from the last stage of a death spiral, we can finally report with confidence that all its subsidiaries are now growing appreciably. This includes growing volumes through long term contracts for new vehicle models in Formex; acquiring new distribution licences in several areas including a consolidation of our distribution rights to Microsoft products; rapidly expanding our photocopier rental business, our polyethylene bag business as well as recycled stitchbond shopping bags and several other innovative products. In general, the businesses of Deneb have moved away from supplying unbranded products to retailers to producing and distributing goods and services of our own brands or those of major international companies.

Karoshoek:

Despite rosy hopes in our previous report, Karoshoek has struggled over the last year as various latent construction defects emerged as well as it experiencing a major breakdown which rendered the plant idle for two months very recently. This has rather dimmed our expectations of a dividend flowing this coming year though the contract with the operator requires it to make good losses we suffer through its failures. The business remains a valuable contribution to efforts to reduce the carbon intensity of our electricity grid but, as with many new ideas, it takes time and effort to get it to operate efficiently. We will continue to work hard at finding stable remedies for the problems within this business, but the underlying value add should remain intact with Eskom providing an offtake agreement for all the power it can produce over the next sixteen years.

Properties:

The Property Division improved its headline earnings from R38 million the previous year to R52 million. Its level of debt is now well within its service capacity. Its main hardship has been the lack of custom to the Gallagher Convention centre as a result of the pandemic. This inhibition seems to be receding rapidly and we expect the Convention centre to host several large events this coming year. Vacancies and defaults in all other properties are back to normal levels. We have done renovations to upgrade Laborie and have completed the new building at the Food Lovers complex in Paarl. We will also shortly commence phase 2 at the Whale Coast mall in Hermanus.

Platinum Group Metals:

It is pitiful to watch Ukrainian towns being reduced to rubble and its citizens forced from their homes despite zero provocation to their neighbour. This invasion is in truth a huge turning point for first world countries and their consequential boycotting of Russian sourced commodities will have far reaching effects on world trade for many years.

Aside from the obvious growth in importance of African oil and gas projects, another will be the growing significance of the development of the Waterberg project into a world class South African Palladium mine. The Waterberg project has always had this potential and remains a huge resource which can be mined at an exceptionally low cost. However, the need for its development has never been as urgent or as important in the current environment. While all PGM mines have a mix of PGM metals as elements of their ore bodies, the Waterberg Project is the only South African mining right where Palladium is the dominant element.

The management of PTM is diligently working through all the obstacles to getting the project started and progress this coming year is key to ensuring PTM moves to a construction phase. This phase will take about five years to complete.

Over the last year PTM has succeeded in paying off all its debt, some by having it converted into equity and the balance by raising equity through its shelf. HCI subscribed for an additional $6 million of PTM shares to minimize our dilution despite pressures on us to reduce debt. In consequence, we currently still hold a stake of approximately 25% in the expanded company.

The company has cleaned up loose ends cluttering its balance sheet which arose from its painful exit from the Maseve mine some years ago. PTM recently succeeded in obtaining judgement in its favour in a trial arising from a dispute in relation to that transaction. This is the final claim against it from the past. The litigant, Africa Wide, has filed notice of appeal so the matter is not yet entirely disposed of, but we see no likelihood of this appeal being successful.

PTM has put in place a new ATM shelf which will allow it to raise up to $250 million in new equity.

The Japanese government has made a public statement of support for the development of the Waterberg Project and has indicated a willingness to consider making debt available to the project to enhance the prospects of the mine being developed.

It is also possible to raise money for the development of the project by forward selling smaller elements of the basket of resources in the mine minerals for cash up front to support the funding of the contemplated development.

We hope next year's report will be able to say we have resolved the key funding issues to a point where there is a clear line of sight to the construction phase of the project.

HCI Foundation:

Amongst the work done in our Foundation last year there were three key focus areas. The first of these is early childhood education where it has steadily advanced its work over a number of years in alliance with several specialist NGOs. It has tracked the progress of over 10 000 children through these programmes as well as following up mentoring projects for teachers who attended training programmes. We see this as an important ongoing area in which we will build further expertise.

A second area has been a pilot project to provide clean water to a rural community. The Foundation partnered with Innovation Africa to provide sufficient potable water for a rural village of about 4500 people through a solar powered borehole and pump. The project included laying several kilometres of reticulated pipes and taps throughout the village which has utterly transformed the lives of its women and freed them from hours of collecting water in buckets from a riverbed near the village. A team of ten community members, the majority of whom are women, have been trained to maintain the system. The flow of water from the borehole is monitored remotely to ensure it does not become dysfunctional through neglect. We hope to repeat this project in several other villages over time.

A third area of growing focus of the Foundation is food security in rural areas. Here we have partnered with five NGOs working in this space and are collaborating to re-establish farming in communal small holdings in rural areas. To date some 40 hectares and more are being productively farmed.

Conclusion:

The challenges of managing businesses that in large measure depend on travel, social activity and the distribution of non-essential products, through lockdowns, curfews and other restrictions on gatherings are immense. The last period is not one that has been pleasant for anyone, but we are proud of the way we managed ourselves through it. We believe all our businesses are stronger exiting the pandemic than they were going into it.

HCI is fortunate to have built controlling stakes in a wide range of very hardy assets. We have ensured each of them is managed by strong independently minded management who uniformly operate on the basis of treating the assets they manage as if they were their own. Our contribution as a holding company is essentially at a strategic level and is centred on promoting their aspiration to grow. No matter whether the macro-economic environment is helpful or hurtful, driven teams of hard-working people can always find ways to innovate and expand their reach. While we believe this character is central to the results we have achieved each and every year, there are some years where it stands out more prominently than others. This year is one of the most obvious of those in the life of HCI. Restructuring businesses to meet adversity, holding short term pressures at bay while preserving longer term opportunities for growth, and retaining better margins that accompany the return to normal trade after restructuring, is possible only with dedication and meticulous attention to detail. Doing so thoughtfully and with real concern for all stakeholders in our businesses is possible only where leadership is committed to building a better long-term future for all.

Our Foundation likewise has found a focus that will allow it to contribute to ameliorating hardships and promoting educational opportunities to the youngest and most vulnerable in our society.

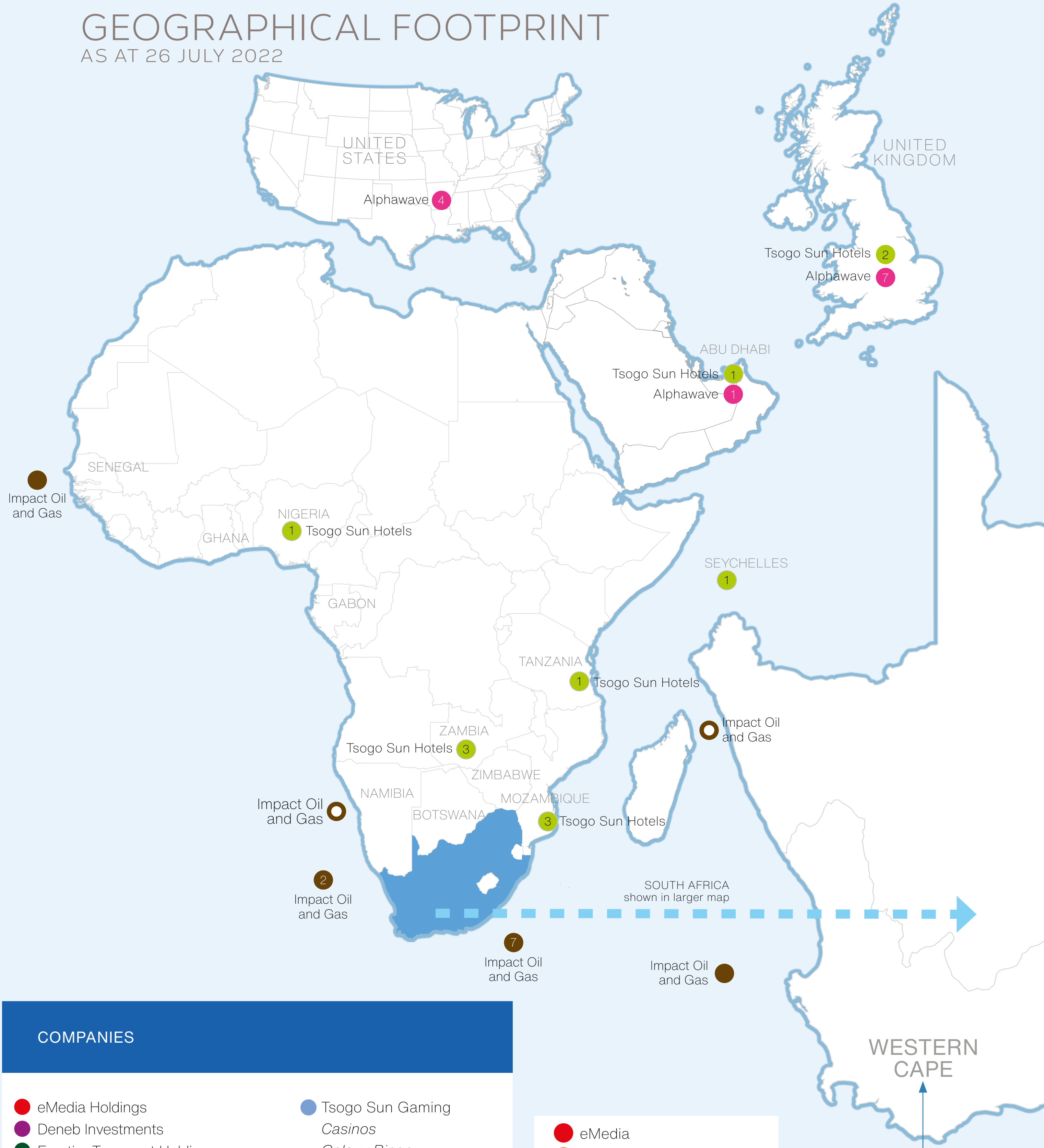
I hope our bankers can take this last point without blushing. I do want to express appreciation for the support from our financial institutions who uniformly worked closely with our finance team to get us through the pandemic without either long term damage to our business or default on its rather extensive debt. That said, I do hope the coming year will see HCI growing further and adding value to all its other stakeholders who have had to wait patiently in line for the last two years.

John Copelyn
Chief Executive Officer Cape Town

Cape Town
July 2022

GEOGRAPHICAL FOOTPRINT

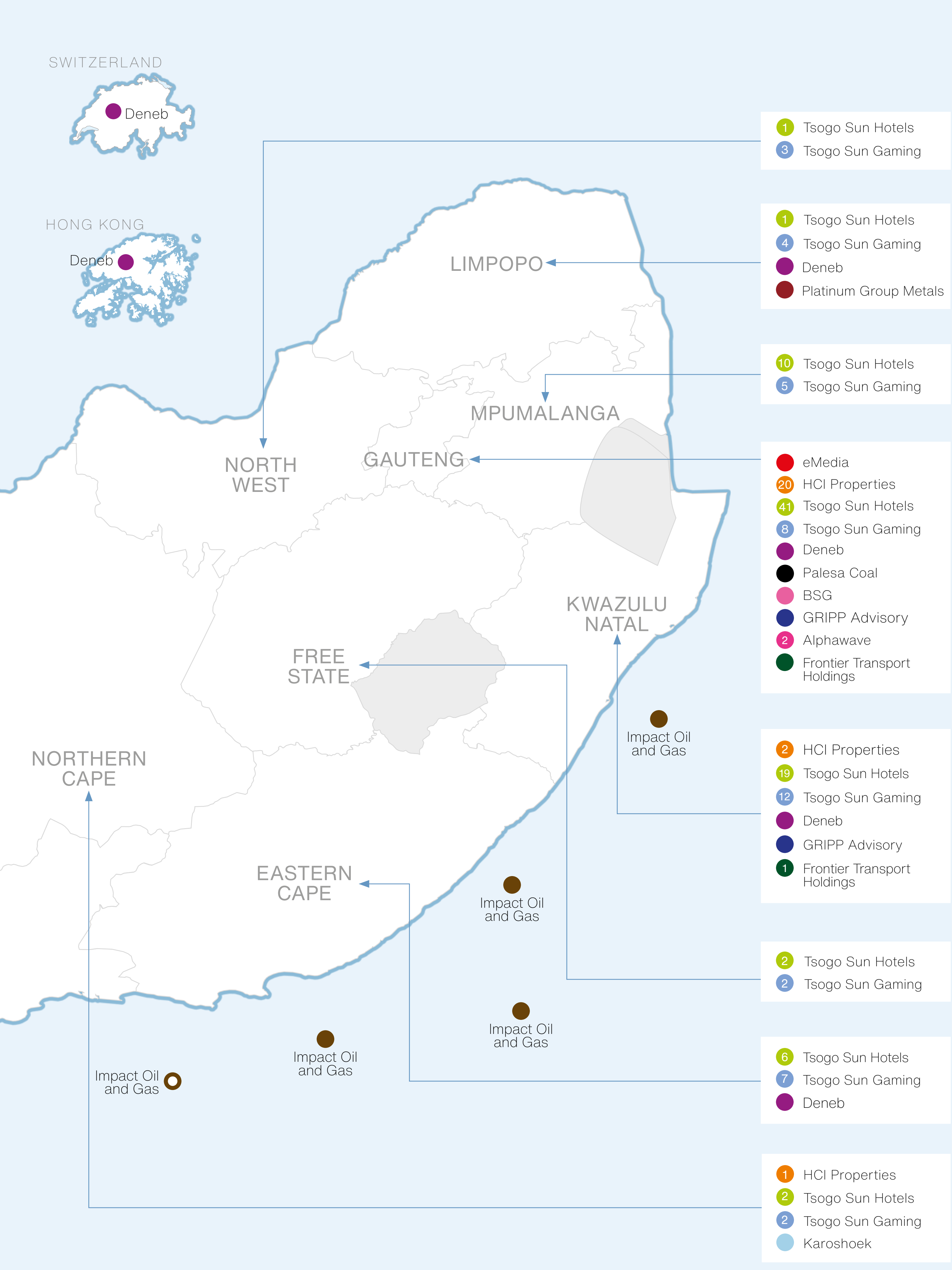
AS AT 26 JULY 2022



COMPANIES

- eMedia Holdings
- Deneb Investments
- Frontier Transport Holdings
- HCI Coal
- HCI Properties
- Business Systems Group (Africa)
- Tsogo Sun Hotels
- Karoshoek
- La Concorde
- GRIPP Advisory
- Alphawave
- Platinum Group Metals
- Tsogo Sun Gaming
  - *Casinos*
  - *Galaxy Bingo*
  - *VSlots*
- Impact Oil and Gas
  - *Indirect Interest through 36% ownership in Africa Energy Corp*

- eMedia
- 5 HCI Properties
- 21 Tsogo Sun Hotels
- 4 Tsogo Sun Gaming
- Deneb
- 5 Frontier Transport Holdings
- BSG
- GRIPP Advisory
- 2 Alphawave
- La Concorde


SWITZERLAND
Deneb
HONG KONG
Deneb
LIMPOPO
MPUMALANGA
NORTH WEST
GAUTENG
KWAZULU NATAL
FREE STATE
NORTHERN CAPE
EASTERN CAPE
Impact Oil and Gas
Impact Oil and Gas
Impact Oil and Gas
Impact Oil and Gas
Impact Oil and Gas
1 Tsogo Sun Hotels
3 Tsogo Sun Gaming
1 Tsogo Sun Hotels
4 Tsogo Sun Gaming
Deneb
Platinum Group Metals
10 Tsogo Sun Hotels
5 Tsogo Sun Gaming
eMedia
20 HCI Properties
41 Tsogo Sun Hotels
8 Tsogo Sun Gaming
Deneb
Palesa Coal
BSG
GRIPP Advisory
2 Alphawave
Frontier Transport Holdings
2 HCI Properties
19 Tsogo Sun Hotels
12 Tsogo Sun Gaming
Deneb
GRIPP Advisory
1 Frontier Transport Holdings
2 Tsogo Sun Hotels
2 Tsogo Sun Gaming
6 Tsogo Sun Hotels
7 Tsogo Sun Gaming
Deneb
1 HCI Properties
2 Tsogo Sun Hotels
2 Tsogo Sun Gaming
Karoshoek

OPERATING STRUCTURE

AS AT 26 JULY 2022

LISTED COMPANIES

TSOGO SUN HOTELS
40.5%**

FRONTIER Transport Holdings
82.2%

TSOGO SUN GAMING
49.7%

DENEB INVESTMENTS LIMITED
85.3%

eMedia Holdings
80.3%

PLATINUM GROUP METALS
25.1%

Name of company	No of shares held by HCI and its subsidiaries
Frontier Transport Holdings	239 096 568
eMedia Holdings Limited	355 816 436
Tsogo Sun Hotels Limited **	598 155 475
Tsogo Sun Gaming Limited	520 114 404
Deneb Investments Limited	371 776 214
Platinum Group Metals Limited	24 837 349
Montauk Renewables Incorporated	670 588
Africa Energy Corporation *	509 092 771

* As held by Impact Oil and Gas Limited

** Includes 48 118 289 shares held by the HCI Foundation

UNLISTED COMPANIES

HCI Coal

HCI Coal (Pty) Ltd

100%

HCI Properties

(Division)

100%

KAROSHOEK

10%

Impact Oil & Gas

49.9%

GRiPP ADVISORY

75%

bsg

40%

alphawave

42.3%

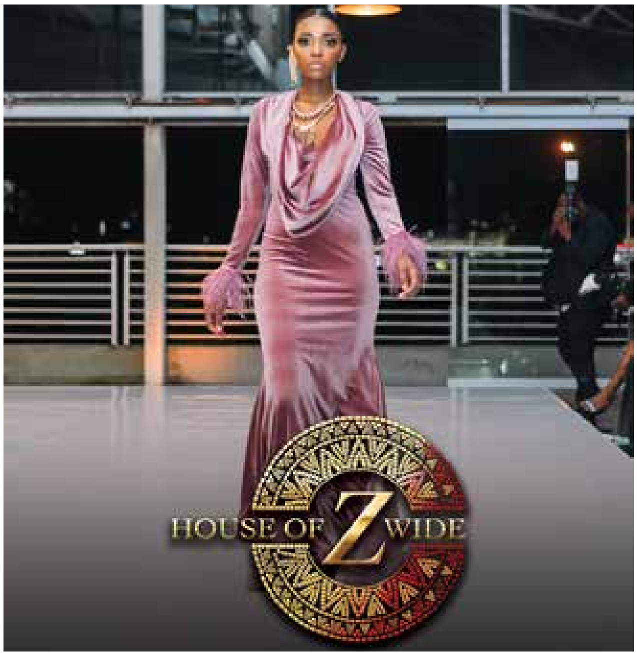
LA CONCORDE

89.4%

TRUST

HCI foundation

OPERATIONAL OVERVIEW



eMEDIA HOLDINGS LIMITED ("eMedia")

www.emediaholdings.co.za

Financial performance:

For the year ending 31 March 2022, the eMedia Group ("eMedia") has experienced a resounding bounce back in its financial performance after the impact of the pandemic on businesses and the economy generally. The Group ended the year with a net profit of R420.8 million compared to a R107.9 million profit in 2021 and an adjusted profit of R225.0 million for the year ended 31 March 2020.

This resounding bounce back is evident in a significant increase in profit from continued operations of R426.4 million as compared to the previous year's profit of R138.5 million. The year's profit profit from continuing operations is significantly better than the pre-Covid year fiscal which ended in March 2020, which ended with an adjusted profit after adding back the goodwill impairment of R241.6 million. This fiscal as compared to the pre-Covid March 2020 profit shows a R184.8 million increase or a 76.5% increase and as compared to March 2021 is R287.9 million more and 207.9% better. EBITDA for the year ended on R677.9 million, an increase of 123.8% from 2021 and 58.5% from 2020.

Operational overview:

eMedia's revenue for the fiscal of R3.2 billion is the highest ever achieved, underscored by an increase in television advertising revenue to R2.1 billion. The television advertising revenue ended 39% better than the prior year and approximately 15% better than the market.

The benefit in advertising revenues can be attributed to an increase in the Group's prime time audience market share from 29.6% in March 2021 to 34.1% in March 2022, an increase of 15.2%.

Further analysis of eMedia's market share reveals an increase in both shoulder and prime time. The share ended at 31.8% and 34.1% respectively, making eMedia the biggest broadcaster in audience share in both categories in South Africa. With a few schedule changes management is confident of increasing market share.

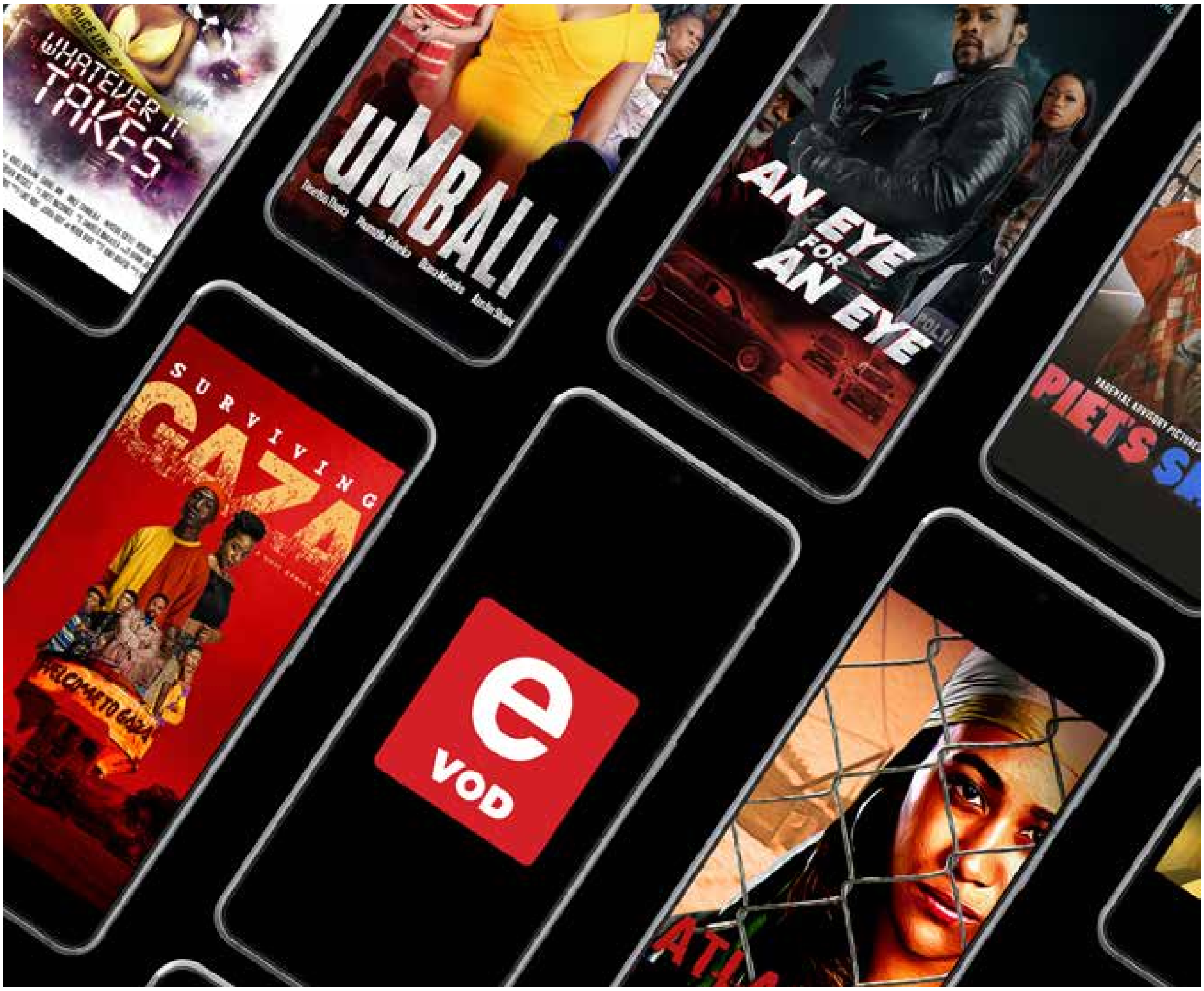
In September 2021, the Minister of Communications and Digital Technologies, Ms Khumbudzo Ntshavheni, released a press statement that digital migration and analogue switch-off would happen by no later than 31 March 2022. e.tv approached the High Court for an order setting aside the decision of the Minister to declare the date for ASO as 31 March 2022. The matter was heard by a full bench of the High Court in March 2022.

On 28 March the High Court dismissed e.tv and Media Monitoring Africa / SOS Support Public Broadcasting's application. However, it found the date of 31 March 2022 to not be sufficient and ordered that analogue switch-off occur by 30 June 2022 in order to give the Minister time to install the remaining STBs.

eMedia appealed the High Court's decision directly to the Constitutional Court. In a unanimous judgement handed down on 28 June 2022, the Constitutional Court, set aside the Minister's decision on the basis that it was unlawful. The court found that the Minister's setting of the analogue switch-off date was not procedurally rational as it was set without adequate notice to the industry and affected parties.

This direct-to-home unit of the business accounted for 21.9% of the advertising revenue amounting to R468.1 million which is up from R269.6 million in the previous year. Profitability in this unit has been achieved for the first time with content costs for the fiscal being pegged at R446.3 million.

The distribution of the four e.tv entertainment channels on Multichoice, which contributed to eMedia's audience and revenue share, is presently under investigation by



the Competition Commission after non-renewal of the channel carriage agreement. At the time of this report the channels have been removed from the bouquet as interim relief was denied by the Competition Commission. The appeal was heard on the 8th of July 2022 and a decision is yet to be received.

The set-top box activations for Openview are increasing on a monthly basis from an average of 35 000 per month to 40 000 per month. At the end of the period a total of 2 774 454 boxes were activated.

Technological advancements being the focus of the business will bring in the next upgraded phase of the Openview set-top box, a smarter set-top box which will have improved memory facilities and Wi-Fi capability.

The news channel, eNCA, is the most watched news channel in the country, although it's not offered on all tiers of the DSTV bouquet, whereas the competition is on all tiers. The advertising revenue targets were achieved through the pandemic affected years while its costs were carefully maintained.

eMedia has secured a further five-year agreement starting 1 April 2022 with Multichoice for the carriage of eNCA. The channel will remain exclusive to Multichoice.

In August 2021 eMedia launched an over-the-top ("OTT") platform, eVOD which has been well accepted in its target market. The number of registered viewers to date has been very encouraging with the average daily minutes viewed in excess of 1 000 000. The eOriginals offering on eVOD is the leading audience generator on eVOD making the group bullish about investing a further R100 million in local original content which will be amortised across eMedia's platforms and channels.

Conclusion:

eMedia is forging ahead with numerous technology advances and strategic planning to continue to be the audience share market leader. The investment in Openview provides eMedia with the strategic flexibility and is the plan to address the challenges of the transition that digital migration brings with it.

eMedia Holdings is separately listed on the JSE Securities Exchange. More information on the group can be found at www.emediaholdings.co.za

GABS	Sibanye	Table Bay Rapid Transit	Frontier Tyres	ElJoSa	AlpineTruck & Bus
100%	100%	100%	100%	76%	51%

FRONTIER TRANSPORT HOLDINGS LIMITED ("Frontier")

www.frontiertransport.co.za

A resilient corporate ethos driven by innovative management approaches provided the basis for the Frontier group's sterling operational performance and organic growth amid a contracting macroeconomic environment impacted by the COVID-19 pandemic and volatile fuel prices.

Vigilant compliance with the Disaster Management Act and stringent internal control measures implemented across all group subsidiaries, restricted COVID-19 infections amongst the workforce to less than 20%, whilst passenger volumes showed signs of reverting to pre-Covid levels with the easing of capacity restrictions on public transport modes towards the latter part of the reporting period.

The Frontier group concluded two acquisitions during the reporting period. In May 2021, Frontier acquired a majority joint venture stake (51%) in Alpine Truck and Bus, a KwaZulu - Natal based bus and truck retail entity. This business sells pre-owned buses and trucks and aftermarket spare parts for buses and trucks.

In March 2022, the businesses of eLori Proprietary Limited and eTreads Proprietary Limited were acquired via Frontier's 100% held subsidiary, Frontier Tyres Proprietary Limited. Frontier Tyres is a new and retread tyre operation, which is well placed to facilitate cost efficient vertical integration with bus maintenance across the Frontier group.

A notable feature of Frontier's performance over the reporting period has been the incremental NPAT contribution of subsidiaries vis-à-vis Golden Arrow Bus Services ("GABS"), which showed a noteworthy 6% increase from the previous financial year. The enhanced proportional contribution of the smaller subsidiaries is testimony of the sustainability of the group's diversified portfolio and scalability of the newly acquired entities.

Financial performance:

During the financial year, Frontier experienced a marked increase in passenger numbers as the effect of lockdown restrictions eased across the country. This resulted in an increase in revenue of 26.8% from FY2021. Whilst the rising fuel price increased operating expenses, the Frontier group was able to cushion this through a fares adjustment which resulted in EBITDA of R447.8 million, which is 16.2% higher than the FY2021 of R385.3 million.

Frontier put all major capital expenditure, including its fleet replacement programme on hold during FY2021, resulting in a net reduction in debt of R140.1 million. Finance costs for FY2022 were therefore R10.2 million lower than the previous financial year.

Frontier is pleased to present an attributable group profit of R261.2 million (27.5% higher than FY2021 of R204.8 million and in line with pre-Covid FY2020 of R261.0 million) and Headline earnings at R263.2 million (29.6% higher than FY2021 of R203.0 million and 5.0% higher than FY2020 of R250.5 million).

Golden Arrow Bus Services ("GABS"):

The 34% increase in the price of diesel linked to the sheer volume of diesel usage across the fleet of circa 1200 buses, had a multiplier effect on overall operating costs and consequent margins. The latent leverage of diesel dependency has however given further impetus to a speedier transition to more affordable and sustainable sources of energy supplies to power the bus fleet.

Despite the debilitating effects of a rising fuel price and a recovering passenger base, GABS posted a creditable 26% increase in revenue; 22% increase in EBITDA and 24% increase in NPAT.

The testing of two electrically powered buses in regular service yielded positive outcomes to the extent that negotiations to procure additional units and the retrofitting of existing and future depot facilities, received unanimous board approval.

The spectre of recurring on-board robberies, which posed a significant threat to passenger safety and security during the previous financial period, was mitigated through the installation of cameras, panic buttons and drop safes. Management also initiated the formation of a dedicated internal unit tasked with monitoring incidents and executing high level strategies to effectively manage security of passengers and assets.

Automatic Fare Collection system

The harnessing of the full spectrum of the Automatic Fare Collection system's utility has yielded substantial intelligence regarding ridership patterns, route patronage, dead kilometrage and other key operational metrics. This has enabled the Operations Unit to plan and optimally configure scheduled kilometres with travel demand and asset utilisation.

GABS continues to maximise the benefits derived from savings achieved from fuel efficiencies through accessing tax rebates in accordance with Section 12L of the Income Tax Act. For the 2021 assessment year, total energy savings claimed amounted to 5 741 681 kWh.

The development of human capital continued to receive paramount attention with the completion of an aggregate of 17 588 training man days through the presentation of a host of training courses in the operations, technical, safety and human resources disciplines. The GABS Training Centre also received formal recognition from the Western Cape Provincial Department of Economic Development and Tourism (DEDAT) as a service provider, and a Memorandum of Agreement was concluded which provides for the experiential training of 150 apprentices in trade disciplines allied to the transport sector.

GABS and its subsidiaries continue to challenge the application of across the board increases on actual wages in the wake of the premium rates they are compelled to pay employees performing equivalent job functions vis-à-vis competitors. The outstanding exemption applications are set to be adjudicated in the Labour Court and management remains optimistic that the grounds for exemption have significant merits.

As non-parties, the Main Collective Agreement ("MCA") was extended to GABS and its subsidiaries in June 2021 and the intention for the forthcoming FY is to return to the bargaining council under the guise of a new employer association, which will advance the pursuit of achieving harmony in the wage rates prescribed by the South African Road Passenger Bargaining Council ("SARPBAC").

Table Bay Rapid Transport ("TBRT"):

The decision to acquire 100% shareholding in TBRT has been vindicated by the realisation of the full investment return that had been committed two years ago.

The dedicated focus on minimising contract infringements and breakdowns have been the foundation of the successes achieved during the reporting period.

While revenue for the reporting period increased by 8%, operating expenses increased by 11%, resulting in an EBITDA that is in line with the prior year.

Sibanye Bus Services ("Sibanye"):

Sibanye operated a constant 47 peak bus service and passenger figures returned to pre-Covid passenger numbers over the latter portion of the reporting period. The operational focus of Sibanye has been on the introduction of more off-peak services and reconfigured routes along the Atlantic seaboard.

The stabilisation of passenger numbers resulted in an 18% increase in revenue from the prior reporting period, culminating in a 20% increase in net profit after tax for the reporting period.

ElJoSa:

The slow recovery of the tourism sector in the wake of the COVID-19 pandemic continued to curtail the company's return to normality. The schools market showed gradual recovery during the last quarter of the reporting period, and a new depot facility has been leased in Gauteng, which should facilitate the uptake in this market segment.

Revenue grew by 152% from a low base in the prior year, however attributable EBITDA reflected a negative R1.68 million.

Shuttle-Up:

Shuttle-Up, which is driven by airport arrivals, staff transport and functions started to increase its service offering during the latter part of the review period due to the steady return of overseas flights and the general lifting of COVID-19 restrictions.

Frontier Transport Holdings Limited is separately listed on the JSE Securities Exchange. More information on the group can be found at www.frontiertransport.co.za

TSOGO SUN GAMING

TSOGO SUN GAMING LIMITED
(“Tsogo Sun Gaming” or “TSG”)

www.tsogosungaming.com

The 2022 financial year performance of TSG was much improved compared to the 2021 financial year, largely due to the relaxation of the various restrictions that were facing the gaming and entertainment industry. TSG did exceptionally well to reduce the net debt by R1.9 billion and to consequently be back within its original debt covenants for the first time in almost two years.

TSOGO SUN GAMING

TSOGO SUN
CASINOS
100%

SLOTS
Vukani Gaming Corporation
100%

Galaxy Bingo
Galaxy Gaming and Entertainment
100%

	Year ended 31 March 2022 Rm	Year ended 31 March 2021 Rm	Change on prior year %	Year ended 31 March 2020 Rm	Change on 31 March 2020
Income	8 938	5 686	57	11 686	(23)
Operating costs	(5 810)	(3 945)	(47)	(7 681)	24
EBITDA	3 128	1 741	80	4 005	(22)
EBITDA margin	35%	31%	4pp	34%	1pp
Adjusted EBITDA (including leasses)	3 045	1 660	83	3 883	(22)
Net financial cost (excluding finances)	(735)	(911)	19	(1 062)	31
Headline earnings/(loss)	1 153	(32)	-	1 284	(10)
Adjusted EBITDA to HE conversion rate	38%	(2%)	40pp	33%	5pp
Dividend per share (cents)	-	-	-	26	(100)
Capex and investments	(267)	(161)	(66)	(1 178)	77
NIBD and guarantees	(9 040)	(10 931)	17	(11 442)	21

The total income generated by TSG for the 2022 financial year was R8.9 billion (up 57% compared to the prior year), EBITDA was R3.1 billion (up 80%) and adjusted EBITDA (after IFRS 16 adjustments) was R3.0 billion (up 83%, but still some 22% below pre-COVID-19 levels).

Net finance costs (excluding leases) for the year amounted to R735 million, a significant decrease from R911 million, for the prior year. R3.5 billion interest rate swaps remain in place.

Headline earnings achieved for the year was R1.15 billion compared to a R32 million headline loss in the prior year. This equates to an adjusted EBITDA to headline earnings conversion ratio of 38% (-2% for the 2021 and 33% for the 2020 financial years).


Gold Reef City

Included in headline earnings is the release of a net deferred tax liability of R44 million as a result of the change in the corporate taxation rate from 1 April 2022. Also included, is the negative impact of a complete closure of the business from 28 June 2021 to 25 July 2021 as a result of the COVID-19 pandemic, partially offset by R111 million of business interruption insurance proceeds. A remarkable EBITDA margin of 35% was achieved for the 2022 financial year.

Debt and covenants:

Despite over two years of various restrictions and closures affecting the business as a result of the COVID-19 pandemic, TSG was within its original net leverage covenants for the 12 months ended 31 March 2022. The net debt to adjusted EBITDA ratio for the year, as measured for covenant purposes, amounted to 2.89 times, the required covenant being less than 3.0 times.

The additional conditions that were imposed as a result of the covenant resets fell away from 1 April 2022, including the requirement of reporting to TSG's lenders on a monthly basis, the requirement of submitting a business plan if a material part of the business were to be locked down for 30 days cumulatively, the limitations around permitted acquisitions and the imposition of a further quarterly margin ratchet.

The declaration of dividends has been placed back within the control of the board of directors, subject to TSG assessing the projected financial position for the subsequent two measuring periods as per its original common terms agreement.

With the focus for the year under review being on cash generation and a return to being within covenants, TSG managed to reduce its net interest-bearing debt and guarantees significantly by R1.9 billion from R10.9 billion at 31 March 2021 to R9.0 billion at 31 March 2022. TSG has liquidity of approximately R2.5 billion in available facilities.

TSG's medium-term target is to reduce its net debt levels to lower than a 2.0 times multiple of adjusted EBITDA, thereby reducing risk and funding costs further.

At the date of this report, the directors of TSG were not aware of any circumstances whereby TSG would not be able to achieve the original covenant requirements for September 2022.

Casinos:

TSG continued to focus on operational efficiencies during the reporting period, with some initiatives still ongoing. It is inevitable that certain costs will increase in the new financial year, inter alia, salary costs, the resumption of pension contributions following the expiry of the pension fund holiday in April 2022, insurance premiums, utility costs and various other. The visibility of where the operating cost base will settle should hopefully be clearer by the 2023 financial year end.

The casino division has adapted well in coping with the restrictive environment, but the uncertainty of restrictions on the industry has not been completely eliminated as yet.

The lifting of the curfew and the relaxation of social distancing measures presented the casinos with an opportunity to drive performance in line with demand, which has not reached pre-COVID-19 levels as yet.

Other income streams, comprising mainly food and beverage, rooms, Theme Park, tenanting, dividends and cinemas, showed some good signs of recovery during the second half of the year, but overall these income streams have been affected more severely than net gaming win.

The casino division, being the largest division in the Tsogo Sun Gaming stable, has proven its resilience over the past two years despite lockdowns, trading and other restrictions, riots, flooding, load shedding and a fragile economy. It is however clear that without the cost savings achieved since July 2019, the casinos would have experienced a much harder landing.

During the 2023 financial year, the Gold Reef City precinct eventing space will be improved to play a

Montecasino

more significant role in the Gauteng hospitality market. This should positively contribute to the results in the following financial year. Subject to certain conditions precedent, TSG will also be incorporating 15 of its 17 hotels into its own management and operational structure, and the remaining two hotels will be disposed of.

Bingo:

With the lifting of the curfew and less strenuous social distancing requirements, the bingo division is finally clawing back some of the losses suffered over the past two years. The trading of the division is continuing to improve, but is still below pre-COVID-19 levels.

Limited Pay Out Machines ("LPMs"):

The LPM division achieved record EBITDA of more than R500 million for the financial year despite the restrictive regulations, including curfews and alcohol bans affecting restaurants and bars. This strong performance has continued subsequent to the year end.

TSG is positive about the potential upside; however, the lead times for the purchase and delivery of machines and parts and the ongoing regulatory red tape regarding the rollout of LPMs may constrain the growth which could be achieved in the short term.

Digital, online and technology:

Developments within the digital, online and technology space are progressing well, and TSG envisages having more visibility in the market in this regard later in the 2023 financial year, and particularly in the 2024 financial year.

It is clear that betting on online casino games is proliferating, and the Western Cape Gambling and Racing Board is in the process of implementing betting on online slot products by betting operators. Exponential growth of the online betting market on casino type games should be expected for the foreseeable future.

Capital expenditure, investments and sale of assets:

Capital expenditure ("capex") and investments cash outflow for the 2022 financial year amounted to R267 million.

An approximate amount of R550 million has been budgeted for capex projects for the 2023 financial year of which R120 million has been contracted for. The budgeted capex comprises mostly gaming equipment, general maintenance capex and trial solar projects. Refurbishments at the various casino precincts remain limited to small-scale improvements.

Furthermore, R240 million has been set aside for the 2023 financial year for concluded acquisitions which are subject to fulfilment of certain conditions precedent which were not met at the date of this report. In addition, a net amount of R257 million has been allocated towards the proposed incorporation of TSG's 15 hotels into its own management and operational structure, and the potential disposal of the remaining two hotels, which incorporation remains subject to the fulfilment of certain conditions precedent. Assets realised during the financial year amounted to R30 million. Additional non-core assets, comprising mainly surplus land, are held for sale and will be disposed at acceptable prices.

Regulatory:

There were no significant changes to the regulatory risks facing the industry.

The health department has recently promulgated regulations in terms of the National Health Act relating to the surveillance and control of notifiable medical conditions (such as COVID-19), which could impact operations in future.

Dividend:

The board of directors of TSG decided to postpone its decision of the possible declaration of a final dividend in respect of the year ended 31 March 2022, until the board meeting to be held in August 2022.

Prospects:

The 2023 financial year may still be impacted by government's response to the pandemic. In the aftermath of the pandemic, the July 2021 riots and the recent flooding in KwaZulu-Natal, the return to a new normal will reveal how discretionary spend has been impacted.

Ancillary offerings at the casino precincts have improved steadily since October 2021 with improved contributions being made towards revenue generated, but as with net gaming win, falling short of pre-COVID-19 levels.

TSG is well positioned to deliver strong headline earnings with the improved cost base at casino precincts and the corporate office, regardless of whether revenue growth is achieved, provided that severe restrictions are not once again imposed.

The LPM division's strong performance should be bolstered by the rollout of additional machines which is gathering momentum for the first time in two years.

The effort to further reduce debt to the targeted less than 2.0 times net debt to adjusted EBITDA ratio, will continue.

The ongoing Russia/Ukraine conflict causes volatility in commodity prices (in particular, the cost of fuel) and impacts on the global supply chain. Although the group does not have direct exposure to either country, these negative influences on global economies may impact disposable income in South Africa.

TSG's focus is transitioning away from survival mode to building an improved, sustainable business for the future. With potential acquisitions, a new online platform, the proposed in-house management of its hotels, an improved hospitality offering at the Gold Reef City precinct, trial solar projects and various other initiatives, 2023 is set to be a busy, but exciting, year for TSG.

Tsogo Sun Gaming is separately listed on the JSE Securities Exchange. More information on Tsogo Sun Gaming can be found at www.tsogosungaming.com

DENEB
INVESTMENTS LIMITED

DENEB INVESTMENTS LIMITED ("Deneb")

www.deneb.co.za

All things considered, Deneb had a very good year. The year was not without its challenges. Deneb, along with many businesses in South Africa, had to deal with load-shedding, riots and severe supply chain disruptions. Supply chains were severely disrupted from shipping delays and cost increases. It also experienced quite severe raw material shortages in several areas, from microchips to polymers. Where raw materials were available, they were often subject to significant cost increases, well over double in some cases. The fact that COVID-19 restrictions and disruptions are placed so far down the list, demonstrates that the year wasn't exactly straight forward.

Deneb navigated the challenges quite well and it reported an increase in operating profit of 42% to R240 million. The performance can be attributed to the collective ability of the operational management teams and staff at the various divisions. They managed to find solutions to the myriad of obstacles they faced and through it all they continued to timeously deliver high quality products to customers. As a general point, the increased shipping costs and delays also had some positive spin-offs as customers looked for local sourcing solutions.

The prior year had lockdowns and thus a shortened trading period, so the years are not entirely comparable. Be that as it may, on a consolidated basis:

- turnover from continuing operations was up R389 million (15%);
- gross profit is up R96 million (14%);
- administration and selling costs were up R58 million (10%). The cost increases were the result of increased activity, inflationary adjustments and the low base in the prior year due to lockdown "savings";
- one negative aspect was a R67 million swing in property revaluations. In the prior year investment properties were revalued up by R50 million which was mostly a reversion to the mean following the COVID-19 devaluations. In the current period, the softer property market particularly in KwaZulu-Natal has seen us revalue our investment properties down by R17 million;
- finance expenses were down by R14 million (22%) due to lower debt levels and a lower average interest rate for the year;
- in the prior year, Deneb recognised some historic tax losses. The increased profits and increase in effective tax rate to 27.3% in the current year, saw the taxation expense increase by R41 million to R48 million; and
- Deneb generated cash from operations of R126 million for the current period, an R83 million reduction from the R209 million generated in the prior year. The reason for the reduction is that it had to lift inventory levels to cater for the supply chain disruptions. The increased inventory levels helped it fulfil customer demand and, in some cases, allowed it to increase market share.

Overview and outlook:

Overall, Deneb is up R40 million on the profit before taxation line, despite a R85 million negative swing in properties. Thus, the remainder of Deneb's operating divisions improved by R125 million.

What is most pleasing is that Deneb is looking at a number of growth opportunities for the future, most notably:

- a further R85 million of capital expenditure in the automotive segment for expansion to meet demand for confirmed future orders. This is over and above the R97 million spent in the current year; and
- R92 million of capital expenditure in the industrial manufacturing segment to bolster the existing capacity of three manufacturing plants.

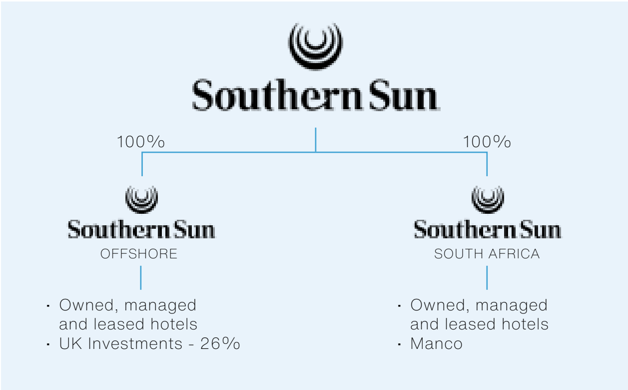
Although the capital expenditure referred to above will be spent in the next financial year, the benefits are only likely to be realised in the following financial year.

Deneb Investments Limited is separately listed on the JSE Securities Exchange. More information on the group can be found at www.deneb.co.za


Robotic arm - Formex


Integrated Polypropylene

Southern Sun




StayEasy Emnotweni

TSOGO SUN HOTELS LIMITED trading as SOUTHERN SUN ("Southern Sun" or "Hotels")

Financial performance:

- Full year occupancy at 30.6% (FY2021: 12.2%)
- Ebitdar at R590 million (including R191 million insurance proceeds)
- Debt reduced by R239 million to R2 830 million
- R1.3 billion in liquidity maintained

The year under review has been one of devastating lows and encouraging highs. The first half of the year was marred by the third wave of COVID-19 infections during June and July 2021, which resulted in severe restrictions aimed at controlling further spread and managing hospitalisations.

The banning of alcohol sales as well as domestic leisure travel to and from Gauteng, fuelled by a general fear among travellers of contracting the highly contagious Delta variant, negatively impacted trading in all regions, setting the group's recovery back significantly. A further setback was the violent protests and civil unrest in both Gauteng, but most materially for the group, in KwaZulu-Natal, specifically Durban, which has been Southern Sun's best performing region throughout the pandemic.

Southern Sun suffered no property damage as a result of the riots in KZN and Gauteng, however, the resultant negative impact on sentiment meant that the recovery in the corporate and international markets was further delayed.

Due to its distribution and ability to co-ordinate large sporting events, Southern Sun was able to secure the rights as the sole accommodation provider for the Castle Lager Lions Series tour to South Africa, which offset some of the revenue shortfall in July. A further positive impact on the results for the first half of the year was the collection of the gross insurance proceeds from the business interruption cover of R177 million during August. These once-off gains played a vital role in improving Southern Sun's liquidity position after the third wave and violent protests.

As the third wave subsided and restrictions were relaxed, trading activity increased during the second half of the year, with Southern Sun averaging 60% of pre-Covid system-wide room sales, due to support from the government, sports, groups and conferencing, and domestic leisure segments.

This momentum was interrupted by the fourth wave of COVID-19 infections caused by the Omicron variant, which resulted in South Africa again being placed on the United Kingdom's red list on 26 November 2021 followed by other countries implementing travel restrictions on South Africa. Despite being removed from the red list relatively quickly, the damage to foreign inbound travel (FIT) for the summer season had been done. Thanks to South Africans being unable to travel abroad, the negative impact on December trading levels, particularly in the Western Cape, was less pronounced with international leisure travel being replaced by domestic leisure travel.

The pace of bookings improved during March 2022, as it became clear that Omnicron was milder than previous variants, marking the first month where Southern Sun achieved pre-Covid room sales volumes in South Africa since the pandemic began in February 2020.

Contributing to the fourth quarter performance was strong support from government groups and various union elective conferences. In addition, various sporting events as well as buoyant domestic leisure travel over the public holidays in March, boosted results.

Corporate Actions:

On 26 May 2022, Southern Sun announced that:

- It had concluded a sale of hotel properties and businesses agreement with Tsogo Sun Gaming Limited ("TSG") and its subsidiaries to acquire the two hotel properties

Southern Sun Emnotweni

and business assets located thereon, currently trading as Southern Sun Emnotweni and StayEasy Emnotweni for an aggregate purchase consideration of R142 million. Southern Sun further concluded a Separation Agreement with TSG whereby the parties agreed to the termination of the various management and licencing agreements concluded between them in relation to the management by Southern Sun Hotel Interests (Proprietary) Limited, a wholly owned subsidiary of Southern Sun of fifteen hotels owned by TSG, subject to payment by TSG of an aggregate termination fee of R399 million. The agreements are subject to certain suspensive conditions and approval by ordinary resolution by Southern Sun's shareholders (excluding TSG and its associates, including HCI and the HCI Foundation) at a special general meeting to be held on 18 August 2022, due to the related party nature of the agreements in terms of the JSE Limited Listings Requirements; and

- Southern Sun's wholly owned subsidiary, Southern Sun Africa ("SSA") entered into a sale of shares agreement with Kasada Albatross Holding, a subsidiary of Kasada Hospitality Fund LP, to dispose of all of its shares in its wholly owned subsidiary, SS Ikoyi Holdings together with all shareholder loan claims against Ikoyi Hotels Limited for an aggregate disposal consideration of US$30.4 million.

  Ikoyi Hotels Limited owns the Southern Sun Ikoyi hotel in Lagos, Nigeria. Southern Sun Africa has managed the 181-bedroom hotel since 29 January 2009 and acquired its 75.55% interest in Ikoyi Hotels Limited on 29 June 2013.

  The stated intention of Southern Sun since its separate listing has been to reduce its US dollar denominated interest bearing debt. COVID-19 has limited Southern Sun's ability to apply its cash resources towards the settlement of this debt. The proceeds for this sale of shares agreement allows the hotels group to achieve this objective and to divest from Ikoyi Hotels Limited which is an acceptable outcome. The successful implementation will result in the reduction of Offshore Debt through the deconsolidation of Ikoyi Hotels Limited's external debt of US$12.8m and provides SSA with sufficient cash resources to offset offshore debt in Mozambique amounting to US$26.6 million, thereby eliminating the forex risk to Southern Sun.

Review of operations:

Southern Sun generated Ebitdar of R445 million and cash flow of R180 million during the second half of the year, reducing its net debt level to R2.8 billion for the year ended 31 March 2022.

Rebranding:

Post the separate listing of the hotel group in June 2019, it became clear that the gaming and hotel groups operate in different markets and that the joint use of the Tsogo Sun brand is not optimal.

The hotels group will undergo a formal name change to Southern Sun Limited, subject to receiving the requisite shareholder approval to a special resolution that will be presented at a general meeting of shareholders to be held on 18 August 2022.

Southern Sun is separately listed on the JSE Limited. More information on the hotel group can be found at www.southernsun.com

HCI Coal (Pty) Ltd

HCI COAL PROPRIETARY LIMITED ("HCI Coal")

www.hcicoal.co.za

In another year filled with its fair share of challenges such as COVID-19 related uncertainties, an unprotected strike by HCI Coals' mining contractors' employees and an unusually high level of rainfall, HCI Coal delivered a strong set of results on the back of a solid operational performance and a higher than expected off-take from Eskom.

As the pandemic evolved HCI Coal continued to take stringent measures to keep its employees as well as the contractors' employees safe. HCI Coal launched a vaccination programme which was rolled out to all site employees and their dependants. HCI Coal continues to focus its attention to robust training and being compliant with health and safety practices. Notably, Palesa colliery reached 1815 fatality free days as no work-related loss of lives was experienced to 31 March 2022. The LTIFR (Lost Time Injury Frequency Rate) on a cumulative basis is 0.14 (FY2021 : 0.01) as one lost time injury was recorded in January 2022.

HCI Coal's revenue for the year increased by R77 million to R1.46 billion driven by an increase in sales volumes of 13%. A total of 2 616 595 tonnes (2021 : 2 309 693 tonnes) was sold reflecting the need by Eskom to keep up with contractually agreed volumes. In addition, with the demand for export thermal coal being higher than expected, Palesa colliery commenced once again to supply coal to the export market on a medium-term basis which is expected to continue into the next financial year.

As a result run-of-mine production increased by 12% from 2 768 363 tonnes to 3 104 770 tonnes and processing production increased by 13% from 2 288 674 tonnes to 2 582 180 tonnes. Underlying EBITDA increased by 27% to R263 million (2021: R209 million) for the year.

HCI Coal is looking forward to commissioning a new FX air plant at Palesa colliery in the second quarter of the next financial year that will improve the quality of coal and equally reduce its environmental footprint in support of a transition to a lower carbon world. To this end HCI Coal is continuing its discussions with Eskom to re-evaluate the current off-take agreement which could possibly increase the supply of coal to Eskom.

	Palesa Colliery Tons
Mineral reserve: proven	52 952 367
Mineral reserve: probable	17 551 309
	70 503 676

HCI Coal understands its role in the communities in which it operates in. Management's approach is to maintain a respectful and healthy relationship with its stakeholders so that it can communicate better and work together in building a stronger future for these communities. During the year Palesa Colliery has spent R440 million on the procurement of goods and services from suppliers in the immediate areas of our operations. This represents 40% of the total procurement spend which includes operational and capital expenditure.

Raw processing plant at Palesa Colliery

PLATINUM GROUP METALS

PLATINUM GROUP METALS LIMITED ("PTM")

www.platinumgroupmetals.net

A mining right for the Waterberg Project was granted by the South African Department of Mineral Resources and Energy ("DMRE") on January 28, 2021. Several local parties filed appeals to the grant of the Waterberg Mining Right in 2021, which PTM and the DMRE are working through in the appropriate manner. PTM continues to collaborate with local communities to maximize project value for all stakeholders. Discussions in an attempt to establish concentrate offtake arrangements with existing South African smelters are underway. During 2021 PTM also completed a prefeasibility study and a beneficiation study for a dedicated Waterberg matte furnace as an alternative to a traditional concentrate offtake arrangement.

Peak funding requirements to construct the Waterberg Project were estimated at US $617 million in the DFS, which may be satisfied by a combination of gold stream and equity financing plus a senior secured debt facility. PTM is in advanced discussions to arrange construction financing.

PTM is also advancing a research and development initiative through Lion Battery Technologies Inc. ("Lion") in collaboration with Anglo American Platinum Limited and Florida International University ("FIU"). Lion was jointly formed in 2019 to accelerate the development of next-generation lithium battery technology using platinum and palladium. During 2020 and 2021 FIU received three new patents from the U.S. Patent and Trademark Office on behalf of Lion. Several more patents under currently under application.

PTM Geologists examining drill core from the Waterberg Deposit.

For the 12 months ended February 2022, PTM incurred a net loss of US $12.5 million (2021: – US $11.1 million). During the 12 months ended February 2022 PTM issued 22.3 million shares pursuant to offerings, placements, convertible note settlements, and option exercises at an average price of US $1.98 per share. As of 28 February, 2022 PTM is debt free for the first time since 2015.

Platinum Group is listed as PLG on the NYSE.A (New York Stock Exchange) and PTM on the TSX (Toronto Stock Exchange).

Impact Oil & Gas

IMPACT OIL AND GAS LIMITED ("Impact")

www.impactoilandgas.com

Impact Oil and Gas Limited ("Impact") is a UK-based hydrocarbon exploration company. Its strategy has been to build a portfolio of high quality, deep-water prospects, offshore Africa; partner with super-major oil and gas companies, with the technical and financial capability to operate through the drilling and development (in a success case); and ultimately, participate in a portfolio of high-impact exploration wells, with the objective of delivering at least one giant discovery.

Impact has built a highly material portfolio, which is partnered with Shell plc, TotalEnergies, QatarEnergy and CNOOC.

Impact's exploration strategy has delivered a major oil and gas discovery, offshore Namibia, in February 2022 – potentially the largest discovery in sub-Saharan Africa. This was preceded by the Brulpadda and Luiperd gas condensate discoveries, offshore South Africa in 2019 and 2020, respectively.

Namibia – Venus: a major oil and gas discovery:

This year Impact's Venus prospect, offshore Namibia, was successfully drilled, and the discovery of a world-class light oil and associated gas field, exceeding Impact's pre-drill expectations, was announced. This discovery will act as a catalyst for significant foreign direct investment into Southern Africa, with the potential to significantly grow the Namibian GDP.

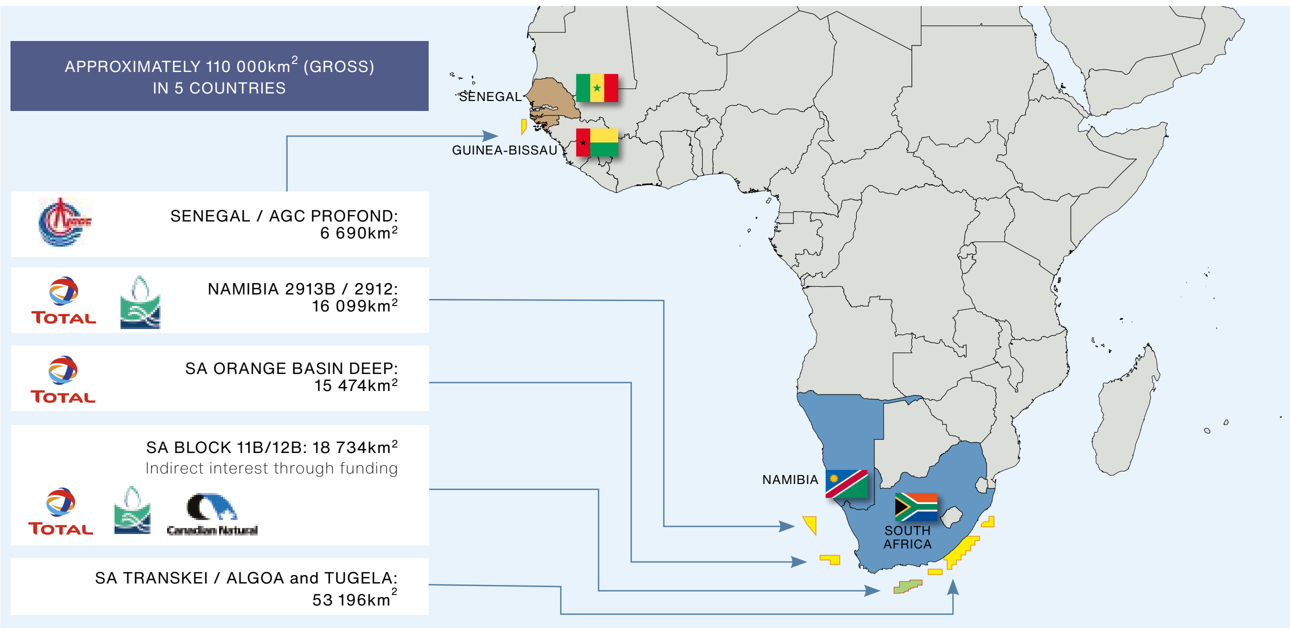
Impact owns a 20% interest in the Block 2913B licence area and holds an 18.89% interest in the adjacent Block 2912. In both licences Impact is partnered with TotalEnergies (Operator), QatarEnergy and NAMCOR.

In 2H2022, the joint venture will return with the Tungsten Explorer drillship to drill and test one appraisal well and re-enter the Venus-1X exploration well to run a test and acquire additional seismic in Block 2912. The anticipated work programme will enable the joint venture to press ahead with an early development programme to better understand the scale of Venus and the extent to which the Venus accumulation extends west, into the adjacent Block 2912. Impact look forward to this next phase of the programme to unlock the full potential of this acreage.

This play-opening discovery firmly places the deep-water Orange Basin as one of the world's most exciting areas for hydrocarbon exploration and validates Impact's focus on the highly prospective Southern Africa Cretaceous oil and gas play, which extends from southern-most Namibia to the east coast of South Africa.

South Africa gas condensate discoveries:

Impact holds a 36% interest in Africa Energy Corp, which in turn holds an interest in two major gas-condensate discoveries, the Brulpadda and Luiperd fields, lying off the southern coast of South Africa, in Block 11B/12B; and a 27.5% interest in Block 2B, offshore South Africa.



The Block 11B/12B joint venture partners continue to assess the feasibility of an early production scheme to supply gas domestically. Africa Energy expects the Production Right application to be made by September 2022. This anticipated development could make a transformative contribution to the South African economy, particularly in providing energy security to South Africa.

In Block 2B, Africa Energy expects the Gazania offshore exploration well to be spud in 4Q2022. The Gazania well is a step-out to the A-J1 well, drilled in 1988, that flowed oil to the surface. This is an important value catalyst in the Africa Energy portfolio.

South Africa: the Natal Trough:

Impact's investment in Southern Africa has been driven by our belief in the same Cretaceous play that has been successfully targeted by the Venus-1X well and, by Shell in its Graff-1X well, offshore Namibia. This play has already been proven, offshore South Africa, by the Brulpadda and Luiperd wells drilled in 2019 and 2020, respectively.

The same play elements can be found throughout the deep-water around Southern Africa and form the SANAM (South African and Namibian) super basin. Impact's seismic mapping indicates that the SANAM super basin continues all the way around the Southern African coast to offshore Durban and includes the Natal Trough, in the Transkei margin, where Impact holds a very large position covering approximately 124 000 km². Impact holds two licences in the Natal Trough: the Transkei and Algoa licence, partnered with and operated by BG International Ltd (Shell PLC); and Area 2, operated by Impact and partnered with Silver Wave Energy.

Regrettably, a major 3D seismic acquisition programme commenced by Impact and Shell in the Transkei area, at the end of 2021 was prematurely terminated due to a successful interdict application (Part A) brought by, among others, Sustaining the Wild Coast. The Part B hearing of this case was held on 30 and 31 May 2022. The decision of the Court is pending.

Impact believe the concerns about harm caused by the survey, raised in the application, are unfounded, and not supported by South Africa's own experience of offshore seismic acquisition. There have been at least thirty-five 3D surveys conducted offshore of South Africa, and thousands of kilometres of 2D seismic, including two 2D surveys over the same licence area, with no reports of death, strandings or serious injury to marine mammals from exposure to sound from seismic surveys.

This has been a significant set-back in the exploration of the Natal Trough. Impact remains excited by the potential of this area, but the progress and pace of exploration in Impact's Transkei and Algoa and Area 2 licences will be affected by the decision of the Court in the Part B review.

Agence de Gestion et de Coopération entre le Sénégal et la Guinée-Bissau (AGC), a common maritime zone between Guinea-Bissau and Senegal:

In the AGC, the joint venture continues to await the ratification of the AGC Treaty renewal, signed in October 2020, by Senegal and Guinea Bissau. In the meantime, Impact continues to work with its partner CNOOC to progress the exploration of the block, where the joint venture has identified multiple exciting drill-worthy prospects.

Industry outlook:

The Russian invasion of Ukraine has amplified and accelerated the underlying issue of underinvestment in the sector, whist exposing the vulnerabilities of European reliance on Russian gas. As Europe tries to wean itself off Russian oil and gas, increasing pressure on supply, oil hit $100 bbl in March of 2022, climbing above US$120 bbl. Prices are expected to remain high in the near term.

KAROSHOEK

KAROSHOEK SOLAR ONE PROPRIETARY LIMITED (RF)

Karoshoek has had some difficulties during the year under review. It's performance against the model was 89%. The 11% underperformance was to some extent caused by weather conditions being less favourable than the model (3,68%) but primarily it was caused by underperformance in areas controlled by the operator. In the main the owner holds the operator contractually liable for these underperformances, in consequence of which there are several disputes with the operator currently heading to arbitration.

A dividend of R12 million was paid to HCI during the year under review and a further dividend of R11 million after year-end (2021: R39 million).

Subsequent to year-end the plant experienced a major breakdown which caused it to shut down for two full months. This is disappointing but should not affect the overall viability of the plant nor jeopardize its contracts with Eskom. Unless the operator takes responsibility for this breakdown it is highly likely this will be added to the claims pursued against the operator.

HCI Properties

HCI PROPERTIES DIVISION ("HCIP")

www.hciproperties.co.za

The only development concluded for the year under review was the new head office for Dentsu South Africa Proprietary Limited in Woodstock, Cape Town, with the Swish Property Group, the Joint Venture partners of HCIP. The gross lettable area ("GLA") of the offices is approximately 5 428 square meters.

The focus for HCIP continued to be defensive. HCIP received unsolicited offers on Olympus Mall in Pretoria and its Industrial precinct in Westlake, Linbro Park. Both offers were concluded, the sales raised a combined pre-tax profit of R135 million for HCIP.

Financial performance:

Rental income increased by 7%. Gallagher Estate's conferencing and exhibition revenue was still at around 27% of pre-covid levels due to it not being able to operate under COVID-19 restrictions. At the date of writing this report we are, however, starting to see a normalisation of the business.

The entire portfolio was revalued using the same methodology adopted by the independent valuer, in the prior year. The assumptions used were in line with those used last year, and resulted in a negligible increase of the portfolio's gross value. HCIP are focussed on reducing the gearing down from its current 55% loan to value ("LTV").

Retail:

The retail sector was surprisingly quick in its resumption to quasi normal trading conditions. HCIP's retail portfolio vacancies were under 4% across its' retail centres. A number of negotiations for remaining vacancies were underway at, and secured, post year-end. Due to the demand of tenants seeking space, Whale Coast Village Mall is planning another 8 500 square meters expansion.

Kalahari Village Mall Upington continues to occupy a dominant trading position in the metro.

Blue Hills Shopping Centre continues to trade well. Post year-end the centre was fully let.

Offices:

The COVID-19 pandemic is still severely affecting the office market. The weak economy and reluctance of workers to return to offices full time have to date, resulted in a vacancy of 9.4% across our portfolio.

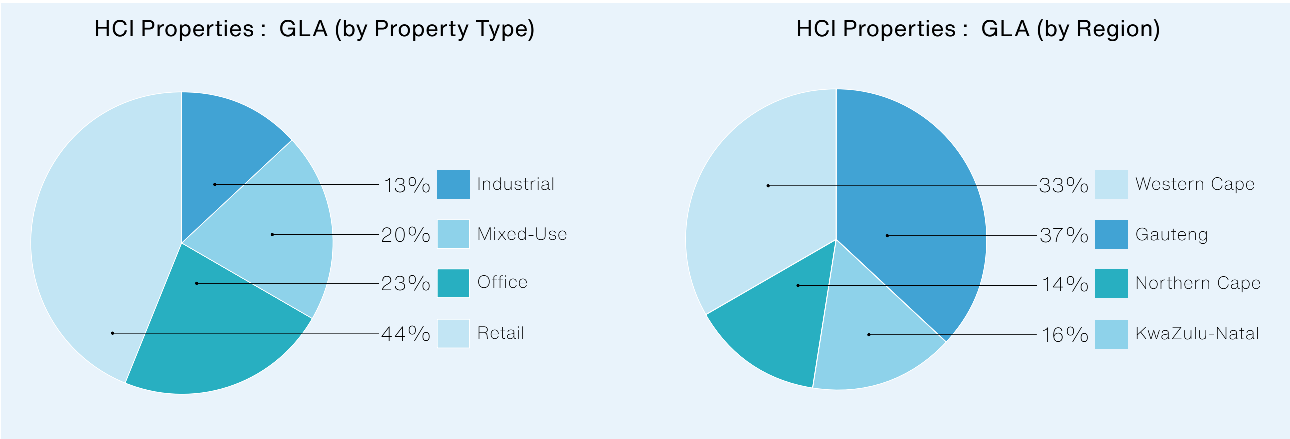
This has slowed the take up of the co-development of Monte Circle Office precinct in Fourways. At year-end the head office for Omnia was nearing completion. Controlled office environments which are secure and well located, such as the Monte Circle Office precinct, do bode well for relocations and for new builds as the office market eventually recovers.

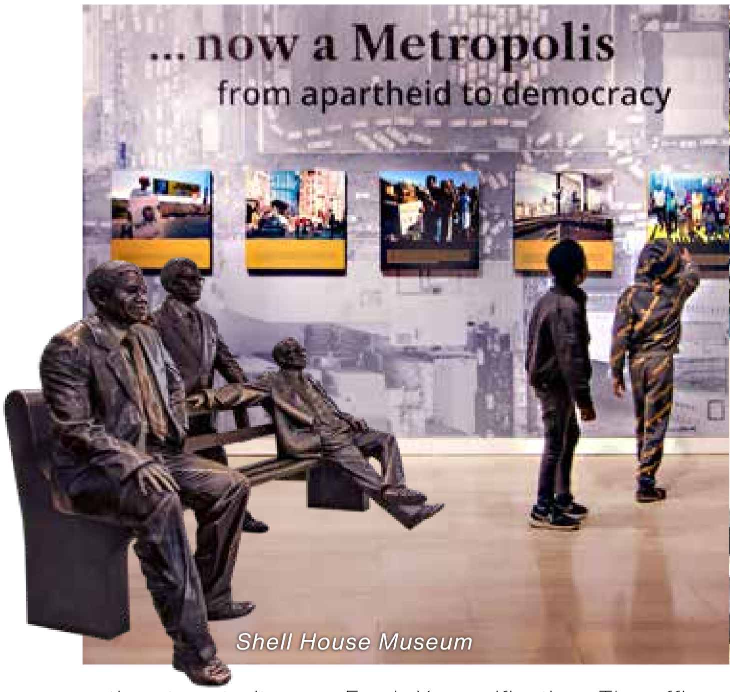
Industrial:

HCIP sold the bulk of its industrial portfolio except its remaining building in Sydney Road, Durban which is 100% let. HCIP was negotiating lease extensions with 2 tenants who, combined, occupy 62% of the total GLA within the precinct. The negotiations were concluded post year-end with the tenants agreeing to 5- and 10-year lease terms respectively.

Mixed-Use:

The Point Mall in Sea Point continues to trade extremely well. It attracted Clicks as another national tenant to its mix whilst Checkers, the anchor tenant, upgraded its





Shell House Museum


Dentsu

entire store to its new Fresh-X specification. The office component had vacancies of under 5%.

The Palms Centre in Woodstock has seen numerous retail tenants close their doors due to the pandemic and continues to struggle to let the office component, however, vacancies are now reducing.

Inner City Housing ("ICH") and Student Accommodation:

Live-The-City recovered quickly. Vacancies in the units improved compared to pre-covid levels and the retail portions are almost fully let. The office component of Solly Sachs House vacancies are at about 5%.

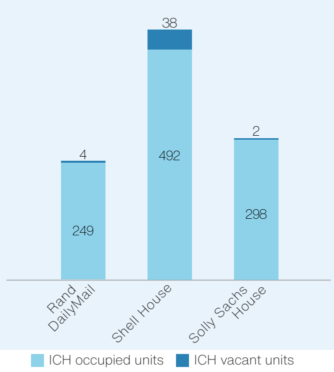
Residential occupancy is at an all time high in the Inner City. HCIP far exceeded results of its competitors with occupancy at 97% for May, June and July 2022. Offerings of free uncapped WIFI, generators to ease the pain of load-shedding, comprehensive and active security and cleaning services have helped HCIP, not only to retain tenants, but to entice more. With a hands-on management approach, HCIP is aiming to continue this high occupancy throughout 2023.

The management and ground team of the business has made a huge difference within this portfolio. Buildings are extremely well maintained and well fitted out; a safe controlled environment is provided for all tenants and their families. HCIP are extremely proud of its ICH Initiatives.

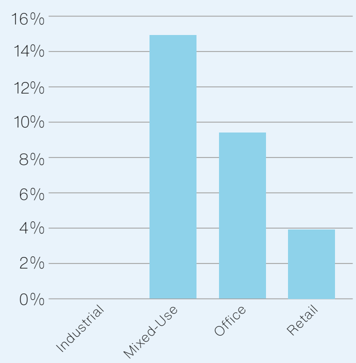
Gallagher Convention Centre ("GCC"):

As expected, the COVID-19 pandemic restrictions have still had a devastating effect on large events and exhibitions. Revenue is at 27% of pre-covid levels but GCC has held on to the core and well experienced team of this business. With the unfortunate loss of some of its competitors, GCC is already seeing pick-up in trading and expect to be close to pre-covid levels within the next twelve months. Overall, the sentiment within the Conference and Exhibition market is very positive with a keen appetite to start operating at normal capacities.

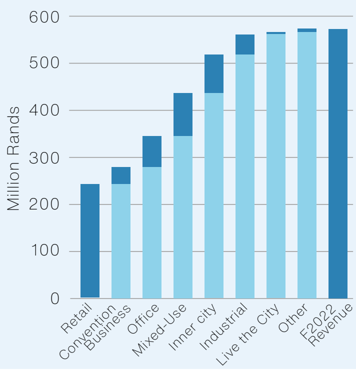
ICH Occupancies



Total Vacancies %



Revenue Stack
(by Property Type)



Unlocking potential ➤ Accelerating performance

BUSINESS SYSTEMS GROUP (AFRICA) PROPRIETARY LIMITED ("BSG")

www.bsg.co.za

BSG is a successful homegrown South African consulting and technology services company that is passionate about being a proactive force for positive change. BSG is founded by Africans, working for Africa since 1997.

BSG helps its clients to transform their operations through insights, discovery and technology-enabled change. BSG helps business and IT leaders work together to solve their most important problems, while working with and growing their people to sustain the momentum of their results. BSG is able to make this happen through its people: top talent from diverse backgrounds with a collective commitment to create a culture of excellence, innovation and growth.

BSG contributes to the poorest communities by supporting the education of our nation's youth, through its decade long relationship with the LEAP Science and Maths Schools. BSG also proudly represents industry on many faculty advisory boards at our country's leading universities.

LA CONCORDE HOLDINGS LIMITED ("La Concorde")

La Concorde's three operational assets consist of the Laborie Heritage Wine Estate, a retail precinct and its interest in Paarl Valley Bottling Company ("PVB"), all located in the Western Cape Boland region. The company repurposed various spaces at Laborie for hospitality purposes during the year and also delivered the Food Lovers Market building at its retail precinct. PVB had an outstanding year, with increased bottling demand being driven by an increase in certain customers' exports and overflow volumes from various fast moving consumer goods/companies.

GRIPP ADVISORY PROPRIETARY LIMITED ("GRIPP")

www.grippadvisory.co.za

GRIPP has been operational since April 2018, and recently added its presence in Durban to support clients and complement its Johannesburg and Cape Town offices. As an advisory and consulting company, GRIPP focuses on providing its services to the HCI group of companies and the wider market. During the past year, the company continued to deliver engagements with its focused Governance, Risk Management, Internal Audit, Information Technology Audit, Investigations, and Regulatory Compliance service offering.

GRIPP is well received in the market and poised for continued success underpinned by the quality of its service offering and compelling value proposition that is relevant in the South African economic context. In line with the company's growth aspirations, GRIPP will continue employing professionals that are aligned with its purpose, which is, to improve the governance, risk management, and internal control environment of its clients with the vision to thereby increase their client's shareholder value and stakeholder confidence levels.

GRIPP is committed to the transformation and social imperatives of the HCI Foundation and participates in the foundation's initiatives, such as the student mentoring programme and various initiatives to support affiliated non-profit organisations. GRIPP also maintains a two-year learnership programme that is registered with FASSET and the Institute of Internal Auditors' Leadership Academy. This programme directly contributes to the creation of new employment opportunities in the advisory and consulting sector for appropriately qualified HCI Foundation beneficiaries and other young people entering the job market. To date, eleven young individuals completed their two-year learnership with GRIPP and a further eight are currently at various stages of the programme.

Laborie Heritage Wine Estate

alphawave inrange

ALPHAWAVE GOLF PROPRIETARY LIMITED
(“Alphawave”)

www.inrangegolf.com

The year ended April 2022 marked the beginning of the scaling of the Alphawave Golf business.

The year started with 7 commercial installations and closed out with a total of 17 installations across the US, UK, UAE and South Africa with a very loyal and growing player base. The business starts off the new financial year with a pipeline of 14 signed contracts for new locations in the US, UK, Australia, Netherlands and Indonesia. It is anticipated that just under 30 new locations will be delivered by the end of the financial year.

In spite of strong competition, Alphawave Golf is cementing its role as not only the premium choice for existing commercial driving ranges who are looking to grow and diversify their player and revenue base but also for new build entertainment ranges. The business has been selected for no fewer than 5 large new build ranges which are going live in summer 2022.

The business delivered on its promise to launch next generation sensors for the EMEA market in record time and is already in the process of rolling out these changes into the US market.

2021/2022 was not without its challenges with COVID-19 related lockdowns and travel restrictions leading to site delays and temporary site closures and supply chain constraints extending lead times for components from 3 months to over 12 months. All contracted sites were delivered and utilisation and revenues generated from those sites, while delayed, have exceeded expectations.

From a financial performance perspective, the business grew revenues by 213% and improved the EBITDA by R7 million. It is anticipated that the business will achieve monthly EBITDA profitability by the end of the 2023 financial year.

BOARD OF DIRECTORS

John Copelyn

Rob Nicolella

Kevin Govender

Yunis Shaik

EXECUTIVE DIRECTORS

JOHN COPELYN (71)

Chief Executive Officer

B.A. (Hons) B.Proc

Johnny joined HCI as chief executive officer in 1997. Prior to this he was a member of Parliament and general secretary of the Southern African Clothing and Textile Workers' Union. He is the chairperson of the HCI subsidiary companies Deneb Investments, eMedia Holdings and Tsogo Sun Gaming and associate company Tsogo Sun Hotels which are listed on the Johannesburg Stock Exchange.

ROB NICOLELLA (53)

Financial Director

CA (SA)

Rob is a chartered accountant and has attended a leadership and development programme ("PLD") at Harvard University. During his 18 year tenure at Investec Bank, Rob headed the Structured Finance Division (Western Cape) and thereafter, Private Bank Western Cape. He joined the HCI Group in 2011 to develop the HCI Properties portfolio. He is a director on the boards of Frontier Transport Holdings, Alphawave and Tsogo Sun Hotels. Rob was appointed to the board in May 2019 as an executive director and as financial director from August 2019.

KEVIN GOVENDER (51)

B.Com (Hons), B.Compt (Hons)

Kevin joined the HCI group in 1997 and has held various roles within the group. He was the Chief Financial Officer from 2001 to 2019. He was also the Acting CEO of eMedia Holdings Ltd from 2014 to 2017. He holds directorships in numerous HCI subsidiaries including Deneb Investments, eMedia Holdings and Frontier Transport Holdings. He is a trustee and chairperson of the finance committee of the HCI Foundation. Kevin was appointed to the board of HCI as an executive director in June 2000.

YUNIS SHAIK (65)

B.Proc

Prior to his appointment at HCI Yunis was an attorney of the High Court and served as an acting judge in the Labour Court. He is a former deputy general secretary of the Southern African Clothing and Textile Workers' Union and served as a senior commissioner to the CCMA in KwaZulu-Natal. He is chairperson of Frontier Transport Holdings and a director of Deneb Investments, eMedia Holdings and Tsogo Sun Gaming. Yunis was appointed to the board of HCI in August 2005 as a non-executive director and appointed as an executive director in August 2014.

NON-EXECUTIVE DIRECTORS

LAURELLE McDONALD (40)

CA (SA)

Laurelle is the Chief Financial Officer of Tsogo Sun Hotels Limited ("THL"). After serving her articles at Grant Thornton she joined Gold Reef Resorts in 2007. Subsequent to the acquisition of Gold Reef Resorts by Tsogo Sun, she was appointed Corporate Finance and Treasury Manager of Tsogo Sun Group ("Tsogo"), and, upon its unbundling from Tsogo, as Chief Financial Officer of THL. Laurelle was appointed to the board of HCI as a non-executive director in March 2020.

NQOBANI MKHWANAZI-SIGEGE (38)

PG Dip (Development Finance)

Bani joined the HCI Group in 2013. Together with Rob Nicolella she was part of the inaugural team of HCI Properties. Prior to joining HCI she was employed at Investec Bank in the property finance division. The focus was funding property developers and institutional clients acquiring, constructing, and refurbishing property assets in all asset classes. She is currently a portfolio manager at Khumo Capital. Bani is a trustee of the HCI Foundation. Bani was appointed to the board of HCI as a non-executive director in September 2019.

Laurelle McDonald

Nqobani Mkhwanazi-Sigege

Mohamed Ahmed

Freddie Magugu

Rachel Watson

Jabu Ngcobo

Elias Mphande

INDEPENDENT NON-EXECUTIVE DIRECTORS

MOHAMED AHMED (57)

Chairperson: Audit and risk committee
B.Compt

Mohamed is a director and chairperson of the audit and risk committee of Tsogo Sun Hotels and Deneb Investments. From 1997 – 2001 he was the chief financial officer of HCI. He has previously held directorships in Seardel Investment Corporation, MTN and Real Africa Holdings. Mohamed was appointed to the board of HCI as a non-executive director in September 2020.

FREDDIE MAGUGU (63)

Chairperson: Remuneration committee
BA (Theology)

Freddie has been serving the community in East London and Mitchell's Plain as a pastor since 2006. Prior to this appointment he reached the position of national organising secretary for the Southern African Clothing and Textile Workers' Union. Freddie was appointed to the board of HCI as a non-executive director in April 1998.

RACHEL WATSON (63)

Member: Audit and risk committee;
Remuneration committee;
Social and ethics committee

Rachel recently retired from a managerial position at a regional broadcaster. Prior to this she was employed at the Southern African Clothing and Textile Workers' Union. She is a director of Frontier Transport Holdings, eMedia Holdings and Tsogo Sun Gaming and a trustee of the HCI Foundation. Rachel was appointed to the board of HCI as a non-executive director in March 2014.

JABU NGCOBO (71)

Chairperson: Social and ethics committee
Member: Audit and risk committee
Remuneration committee

Jabu served as regional secretary for Africa of the International Textile Garment and Leather Workers Federation from 2006. Prior to this appointment he held the position of general secretary of the Southern African Clothing and Textile Workers' Union. He is a director of Tsogo Sun Hotels and HCI Coal and a trustee of the HCI Foundation. Jabu was appointed to the board of HCI as a non-executive director in October 2004.

ELIAS MPHANDE (63)

Chairperson
Elec. Eng. (dip)

Elias was appointed as chairperson of HCI in 2014. He was the marketing director of Viamax Fleet Solutions, a subsidiary of Transnet, before joining Vukani Gaming Corporation as chief executive officer, until 2010. He serves on the boards of eMedia Holdings, Tsogo Sun Gaming and HCI Coal. He also consults for various companies in the gambling industry. Elias was appointed to the board of HCI as a non-executive director in September 2010.

REPORT OF THE AUDIT AND RISK COMMITTEE

Chairperson: Mr MH Ahmed
Members: Mr JG Ngcobo and Ms RD Watson

INTRODUCTION:

The audit and risk committee ("committee") has pleasure in submitting this report in respect of the past financial year of the group, as required by section 94 of the Companies Act 71 of 2008, as amended ("Act"). The responsibilities and functions carried out by the committee during the year under review are set out in this report.

The committee is a statutory committee constituted in terms of section 94(7) of the Act to provide oversight of the financial reporting process, the audit process, the company's system of internal controls and compliance with laws and regulations. The committee serves as the audit and risk committee for Hosken Consolidated Investments Limited ("HCI or the Company"), HCI Coal Proprietary Limited, HCI Managerial Services Proprietary Limited, HCI's property division, La Concorde Holdings and GRIPP Advisory Services Proprietary Limited.

The committee's mandate is set out in its terms of reference and includes the following responsibilities:

- monitoring the accuracy and integrity of the group's financial and other reporting;
- monitoring the effectiveness of risk management processes and internal controls;
- reviewing and approving the internal audit plan and scope of work, including the expertise of the internal auditors;
- reviewing the independence of the external auditor;
- recommending the appointment of external auditors to shareholders on an annual basis;
- reviewing the scope, results and cost-effectiveness of independent accounting and valuation services; and
- reviewing the expertise and experience of the financial director.

COMPOSITION:

In terms of the Act shareholders are required to approve audit and risk committee members at the annual general meeting ("AGM") of the company. Three independent non-executive directors of the company were approved by shareholders at the 2021 AGM to serve until the next AGM scheduled for 29 August 2022. Mr MH Ahmed, Mr JG Ngcobo and Ms RD Watson have been nominated to the committee, subject to shareholder approval at the AGM. The election of members of the committee will take place by way of separate resolutions to be considered by shareholders. The content of these ordinary resolutions is set out in the notice of the AGM.

At least two independent non-executive directors are required to form a quorum.

The committee members possess all the required qualifications, skills and experience to ensure that the committee is suitably skilled to perform the role required by the terms of reference of the committee. The chairperson of the board is not a member of the committee. The committee met four times during the year under review.

The attendances of the committee members are presented below:

Committee member	Number of meetings	Attendance of members
MH Ahmed	4	4
JG Ngcobo	4	4
RD Watson	4	4

The financial director, the group's risk officer and the group financial manager attend the meetings as permanent invitees, along with the external and internal auditors. Other directors and members of management attend, as required.

ROLE, PURPOSE AND FUNCTION:

Combined assurance:

With the assistance of internal audit, external audit, the financial director and chief risk officer, the committee provides assurance to the board that the risk management process, internal controls and financial reporting processes are integrated into the daily business activities of the business entities in line with the risk appetite of the company.

External auditors:

The external auditors for the period under review was BDO South Africa Incorporated and Mr Theunis Schoeman was the designated auditor.

The committee has:

- confirmed the independence of the external auditor as per section 92 of the Act; reviewed the performance of the external auditor and confirmed that the external auditor, the partner and the firm, have complied with the suitability requirements of the JSE as detailed in paragraph 22.15(h) of the JSE Listings Requirements;
- approved the fees to be paid to the external auditor and their terms of engagement;
- determined the nature and extent of any non-audit services that the external auditor may provide to

the company and its wholly-owned subsidiaries;

- pre-approved any proposed agreement with the external auditor for the provision of non-audit services to the company and its wholly-owned subsidiaries;
- considered the key audit matters as identified by the external auditor;
- provided for regular confidential meetings between the committee members and the external and internal auditors; and
- considered all entities included in the consolidated financial statements in respect of financial reporting procedures.

Risk management:

The board acknowledges that it is accountable for the process of risk management and the system of internal control of the group. As HCI is an investment holding company, under of the auspices of the chief risk officer, the risk management process considers the risks and opportunities within the company as well as those inherent in its portfolio of investments.

The committee is an integral component of the risk management process and, specifically, the committee ensures, by enquiry of management, external and internal auditors, that all material corporate risks have been identified, assessed, monitored and effectively managed.

The committee further enables the principle that risk management is also about analysing opportunities and not only guarding against downside possibilities. Internal control structures have been implemented to ensure that significant business and financial risk is identified and appropriately managed:

- it is management's responsibility to design, implement and monitor the risk management policies;
- risk assessments are performed on a continual basis;
- frameworks and methodologies are implemented to increase probability of anticipating unpredictable risks;
- risk responses by management are considered and implemented;
- risks are monitored continuously; and
- the board should receive assurance regarding effectiveness of risk management.

The committee is accountable to the board for implementing and monitoring the processes of risk management and integrating this into day-to-day activities. The committee, however, does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

A disciplined and timeous reporting structure enables the committee to be fully apprised of group company activities, risks and opportunities. This is achieved by requiring that subsidiary companies report their key risks and responses to the committee on a biannual basis, with additional exception reporting as required.

The focus of the committee is on those risks which may negatively impact the long-term sustainability of the business or have a material impact on short-term performance.

This continual emphasis on risk management assists the board to foster a culture in the HCI group that emphasises and demonstrates the benefits of a risk-based approach to internal controls and management of the group.

Effective risk management is seen as fundamental to the sustainability of the group's interests.

Material risks:

A high-level description of all immediately identifiable material risks which are specific to the group and the industries in which it operates are listed below:

Channels through which South Africa and the HCI group have been affected by COVID-19:

- negative market sentiment compounded by slowing economic recovery;
- substantial disruption to international and domestic travel and tourism;
- slowing down and changes to consumer spending;
- disruptions to global supply chains and domestic production; and
- increased risk of workers being put on short-time or retrenched due to lack of demand.

Policy uncertainty/regulatory changes, including:

- changing B-BBEE regulations;
- finalisation of digital migration; and
- SA mining rights - Department of Mineral Resources discontinued negotiations on a revised Mineral and Petroleum Resources Development Act, in 2018.

Societal and business risks relevant to the group:

- political and social unrest in South Africa;
- robberies and assaults on buses;
- unrest affecting mining operations and bus transport;

- unreliable and costly utilities – load-shedding and water shortages;
- commodity price risk including coal, oil and palladium; and
- cyber and information-related risk.

Internal audit:

The group has established an internal audit function at the holding company level. Where appropriate, listed entities have their own internal audit function that perform internal audit in accordance with its agreed internal audit plan.

HCI has a majority shareholding in GRIPP Advisory Services Proprietary Limited, which is responsible for the internal audit function within the group. The internal audit function reports to the chairperson of the committee, thereby ensuring its independence. The committee is satisfied that the company's internal controls and the internal audit engagements were operating effectively during the year under review, and were predominantly adequate and fit for purpose.

IT governance:

As an investment holding company with limited technology needs, HCI has not deemed it necessary to focus on IT at a group level. The company has outsourced its IT operations to a credible service provider via a service level agreement. The committee considers all the reports from the subsidiary companies, as included in the risk report.

To ensure continuous improvements of cybersecurity at HCI and limit the possibility of cyber threats, internal audit carries out six-monthly vulnerability tests on the company's IT infrastructure.

Compliance:

This committee has oversight responsibility in respect of compliance by HCI of laws and regulations.

The social and ethics committee has oversight of the group's health and safety compliance.

Fraud and whistle-blowing:

The committee has oversight of the company's whistleblowing programme. During the period under review no instances of fraud requiring action at a group level were raised or identified. The committee is satisfied that the company has made adequate and appropriate provision for whistleblowing.

Corporate governance:

HCI is committed to the highest standards of business integrity, ethics and professionalism. The King Report on Corporate Governance™ for South Africa 2016 ("King IV™"), which is applied on an apply-and-explain basis, is effective for years starting on or after 1 April 2017. King IV™ advocates an outcomes-based approach and defines corporate governance as the exercise of ethical and effective leadership towards the achievement of the following governance outcomes:

- ethical culture;
- good performance;
- effective control; and
- legitimacy.

HCI has reviewed the practices underpinning the principles promoted in King IV™. Many of these principles are entrenched in the group's internal controls, policies and procedures governing corporate conduct. The board is satisfied that HCI, in all material aspects, complies with the major recommendations of the King IV™ code to ensure that sound corporate governance and structures are applied within the group.

For the detailed King IV™ application register please visit the company website: www.hci.co.za.

Financial director and finance function:

The company employs a full-time financial director who is also an executive director of the company. Mr JR Nicolella holds a CA(SA) qualification and has extensive executive experience. During the period under review, the committee considered the expertise and experience of the financial director and is satisfied that, in terms of section 3.84(g) of the JSE Listings Requirements, Mr JR Nicolella has the appropriate skills, expertise and experience to meet the responsibilities of the position.

The committee has also, in terms of King IV™, assessed the expertise of the finance function and the committee is satisfied that the finance team has the required and adequate skills to perform their duties.

Financial statements and going concern:

The committee has:

- reviewed the separate and consolidated financial statements of the company for the year ended 31 March 2022 and is satisfied that they comply with International Financial Reporting Standards and the requirements of the Act, that the accounting policies used are appropriate and that all procedures operated effectively in terms of the JSE Listings Requirements;
- reviewed the legal matters that could have a significant impact on the group's financial statements and the key

audit matters contained in the external audit report;

- reviewed a documented assessment by management of the going concern premise of the company and has concluded that the HCI group is a going concern and that the consolidated annual financial statements have been prepared in accordance with the going concern concept. The board has accepted the recommendation of the committee that the company is operating as a going concern and has reported that status in the 2022 annual financial statements;
- considered the JSE's most recent report on the proactive monitoring of financial statements, and where necessary, those of previous periods. The committee has taken appropriate action to respond to the findings as highlighted in the JSE's report with regards to the annual financial statements for the year ended 31 March 2022;
- reviewed the establishment of appropriate financial reporting procedures;
- reviewed the areas of focus in the financial statements. The committee is of the view that where significant judgements are involved in the preparation of the financial statements that could have a material impact on those financial statements, the financial director, management and the committee have exercised appropriate care and skill in making those judgements;
- reviewed the key audit matters identified by the external auditor and is satisfied that they have been adequately addressed.

  The following group key audit matters have been detailed in the audit opinion:

  - casino licences impairment assessment;
  - fair value of investment property;
  - goodwill impairment assessment;
  - investment in Associate - Tsogo Sun Hotels - valuation assessment; and
  - purchase price allocation finalisation - Tsogo Sun Hotels.

  The following company key audit matter has been detailed in the audit opinion:

  - investments in subsidiaries impairment assessment.
- confidence that the internal control system and governance structures that have been put in place, have operated effectively during the year. As a result of this, there were no significant matters for the independent auditor to address during their audit of the financial statements or to report in their auditor's report.

Sustainability reporting:

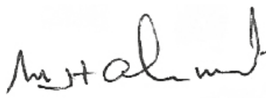
The committee considered the company's sustainability information and has assessed its consistency with operational and other information known to committee members. The committee is satisfied that the sustainability information is reliable and consistent with the financial results.

Other matters:

- the committee receives and deals with complaints and concerns from within and outside the company relating to all matters within its terms of reference. No complaints were received during the current or prior year;
- the committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at the company's expense;
- the committee has decision-making authority regarding its statutory duties and is accountable in this regard to both the board and the shareholders. On all responsibilities delegated to it by the board, other than its statutory duties, the committee makes recommendations for approval by the board; and
- the chairperson of the committee attends annual general meetings and is available to answer any questions in relation to matters pertaining to the responsibilities of the committee.

Recommendation of the integrated annual report:

The committee has reviewed the integrated annual report of Hosken Consolidated Investments Limited and the group for the period ended 31 March 2022 and, based on the information provided to the committee, the committee recommends the adoption of the annual financial statements and integrated annual report by the board.



MH Ahmed
Chairperson: Audit and risk committee
26 July 2022

KING IV™ REPORT BY PRINCIPLE

FOR THE YEAR ENDING 31 MARCH 2022

INTRODUCTION

HCI is committed to the highest standards of business integrity, ethics and professionalism. The King Report on Corporate Governance™ for South Africa 2016 ("King IV™"), which is on an apply-and-explain basis, was released on 1 November 2016. King IV™ advocates an outcomes-based approach and defines corporate governance as the exercise of ethical and effective leadership towards the achievement of the following governance outcomes:

- ethical culture;
- good performance;
- effective control; and
- legitimacy

HCI has reviewed the practices underpinning the principles promoted in King IV™. Many of these principles are entrenched in the group's internal controls, policies and procedures governing corporate conduct. The board is satisfied that HCI, in all material aspects, complies with the major recommendations of the King IV™ code to ensure that sound corporate governance and structures are applied within the group.

The detailed King IV™ application register has been placed on the company website.

PRINCIPLE 1:

The governing body should lead ethically and effectively:

The board of directors ("board") of Hosken Consolidated Investments ("HCI" and / or the "company"), is aware that its primary objective is the creation of value for its shareholders. The board further acknowledges that it cannot be successful unless it operates in the triple context of the economy, society and the environment.

The board's challenge is therefore to create value in a sustainable manner which will meet the requirements of its shareholders and stakeholders (employees and its value chain).

The board is composed of a majority of members from previously disadvantage communities and with backgrounds in the unionised structures of labour; the creation of value within the company is therefore driven by the board's vision of good social responsibility.

The board exercises effective leadership using ethical standards and practices – the King Code register, by practice, is uploaded to the HCI website for review. As per the King code, the governance outcomes are defined as the positive effects of good corporate governance and include ethical culture, good performance, effective control and legitimacy.

The values of the board are reflected in the behaviour of its directors and the code of ethics adopted by the board for the company, which emphasises principles rather than a set of rules that require constant monitoring. The values and the code of ethics are a cornerstone for the long-term strategy of the company and confirms the way the company conducts its business, its ethics and compliance and embodies the standards that the board has set for itself and for the group.

PRINCIPLE 2:

The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture:.

The board has ensured that a code of conduct and ethics-related policies, through which ethical standards are clearly articulated, have been established and implemented. These codes and policies are updated by the board as required.

The company is committed to conducting its business in compliance with all applicable Laws, Acts and Regulations and has processes in place to ensure that all employees adhere to the requirements as set out by the company.

Management has been delegated the responsibility to execute the code of ethics and has implemented a whistle-blowing policy and hotline.

PRINCIPLE 3:

The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.

The board, with the support of the audit and risk committee and the social and ethics committee, monitors the activities of the company to ensure that the company operates as a responsible corporate citizen.

The company has a well-established foundation - the HCI Foundation - which is involved in numerous social programs. The major national projects undertaken by the HCI Foundation are within the sectors of education, public health and safety, and community development.

The significant subsidiaries participate in:

- the carbon disclosure project to monitor the impact the businesses have on the environment and attempt to reduce this impact on an annual basis;
- monitor their water usage and water discharge and implement changes where required; and
- participate in the Broad-Based Black Economic Empowerment annual verification to help build a stronger economic environment for the country.

A full report of the social and ethics committee is included in the integrated report.

PRINCIPLE 4:

The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process:

The board informs and approves strategy. The board is fully aware of its responsibilities to all stakeholders and takes these into account when making long-term strategic decisions.

HCI has, over several years, convened an annual strategy session, which includes the board and executive management of all subsidiary companies. The short, medium and long-term strategy of HCI and its subsidiary companies are addressed, to ensure sustainability going forward.

The board ensures that the strategy is aligned with the purpose of the company, the value drivers of its business and the legitimate interests and expectations of its stakeholders.

As an investment holding company, the board is actively involved in discussing, reviewing and ultimately approving the acquisition of new businesses or the disposal of investments.

The board provides a different approach to management and asks questions to satisfy themselves that the plan is well thought out and compatible with the company's vision and values. The board reviews the resources available to execute its strategy which includes financial resources, processes, systems, infrastructure, intellectual property, positioning, related assets and employees that support its value chain.

The board is cognisant that all strategies implemented will have both positive and negative consequences on social and environmental conditions depending on the various advocacy groups which reflect the underlying value differences of the groups. However, the company continues to monitor and assess the risk, including the reputational risk, when determining strategy.

PRINCIPLE 5:

The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium- and long-term prospects:

The board ensures that the company has controls in place to enable it to verify and safeguard the integrity, i.e. accuracy and reliability, of its reporting and that full disclosures are made in line with requirements. The board ensures that the reporting framework complies with the Companies Act of 2008, as amended, and the JSE listing requirements.

To safeguard the integrity of the integrated report, it is compiled in-house and reviewed by management, the chief executive officer, financial director, external auditors and the committees of the board prior to the final approval of the board.

The governance report has been completed by the company secretary using a digital platform solution provided by Global Platform for Intellectual Property. The quality and degree of implementation is reviewed by the chief executive officer and financial director as well as the audit and risk committee. The board approves the governance report on the recommendation of the audit and risk committee.

The annual financial statements are compiled under the auspices of the financial director, audited by the external auditors and reviewed by the audit and risk committee. The board, as recommended by the audit and risk committee, will place it before the shareholders for approval at the annual general meeting of the company.

PRINCIPLE 6:

The governing body should serve as the focal point and custodian of corporate governance in the organisation:

In accordance with S66(1) of the Act, the business of the company is under the direction of the board of directors, which has the authority to exercise all powers and perform any of the functions of the company, except to the extent that the Act or the memorandum of incorporation of the company provides; it is therefore the focal point and custodian of corporate governance. Good corporate governance incorporates best business practices which is aligned with the overall strategic direction of the company.

The board is fully involved with approving policy and planning. The board manages the strategy of the company; determines if the acquisition is in line with the corporate vision; requests and reviews evaluations, reviews the plans and the risks and the manner in which to mitigate these risks.

The board's role and responsibilities is set out in the board charter. The charter contains the terms of reference and the roles of the committees.

PRINCIPLE 7:

The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively:

The board has assumed responsibility, in line with the board charter, for the composition of the board by ensuring diversity, gender parity, skills, knowledge, resources and intelligence to effectively discharge its governance role and responsibilities and carry out all its duties, and, in doing so, ensures that the number of directors and diversity of those elected to the board is appropriate to drive the strategy of the company.

At financial year-end 31 March 2022, the board was comprised of 11 members which include 4 executive directors and 7 non-executive directors. Five of the non-executive directors are classified as independent. The independence of a director is determined by his/her commercial relationship with the company, transactions with the company and share ownership in the company as well as the specific provisions of the Corporate Governance standards in Line with the King IV™ report. None of the relationships were deemed to be material and, therefore, is consistent with the determination of independence.

There is a clear policy evidencing a balance of power and authority at the board of director's level, to ensure that no one director has unfettered powers of decision making. The role of the independent chairperson and the chief executive officer is separated.

The board has approved and implemented a policy on the promotion of gender diversity at board level. The aim of the policy is to ensure that the board has at least 25% of women directors. The board, at year-end 31 March 2022, maintained its target reached in FY2019.

The board has approved and implemented a policy on the promotion of race diversity at board level. The aim of the policy is to ensure that the board has a majority of directors which are "black persons" as defined in the Broad-based Black Economic Empowerment Act of 2003, as amended. The board, at year-end 31 March 2022, comprised of 81.8% black persons.

The board has not deemed it necessary to appoint a nominations committee. All nominations for the board are carried out by the board as a whole. Newly appointed directors are inducted into the business and given guidance by the executive management and company secretary on the rules and regulations governing the company.

One-third of the board are elected by shareholders on a rotational basis. Furthermore, directors appointed to the board during the year, retire as directors of the company and stand for election by shareholders in accordance with the Act. A brief CV of each director standing for election or re-election at a general meeting or the annual general meeting accompanies the notice of the meeting.

PRINCIPLE 8:

The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties:

HCI has established three committees:

- audit and risk committee;
- remuneration committee; and
- social and ethics committee

The board committees have been established to assist the board in discharging its duties. All the committees are appropriately constituted and members are appointed by the board,. The board has not deemed it necessary to establish a nominations committee. The committees enhance the standards of governance and increase the effectiveness of the board.

The establishment of committees does not constitute a discharge of the board's responsibilities. The board is accountable for any of the decisions taken by any of the board committees and by any member of the board authorised on its behalf. The board considers all necessary documentation presented by the committee or by the individual board members by the board when any matter is under consideration. The members of the audit and risk committee are nominated by the board and approved by shareholders at the annual general meeting.

All committees have either a charter or a term of reference. The terms of reference of all the board committees deal with the composition, objectives, purpose and activities, delegated authorities - including the extent of power to make decisions, tenure, and reporting mechanism to the board of each committee.

The board of the company ensures effective collaboration through cross-membership where required; coordinated timing of meetings and avoidance of duplication or fragmented functioning in so far as possible. All committee meetings, as well as board meetings of the subsidiary companies, are coordinated to minimise both the travel and accommodation costs to decrease the company's overall carbon footprint. In addition, since the start of COVID-19 in March 2020, committee meetings have been held electronically, where appropriate.

Each board committee is led by a different independent non-executive director of the board. The board of the company consists of 5 independent non-executive directors which allows for a balanced distribution of power in respect of membership across committees, so that no individual has the ability to dominate decision-making, and no undue reliance is placed on any individual.

The committees are constituted in accordance with the Companies Act of 2008, as amended and in line with the King Code:

- the audit and risk committee is comprised of three independent non-executive directors chaired by Mr M Ahmed;
- the remuneration committee is comprised of three independent non-executive directors chaired by Mr Magugu; and
- the social and ethics committee is comprised of two-independent directors and one executive director as well as representatives from management and the HCI Foundation. This committee is chaired by Mr Ngcobo.

Members of the executive and senior management are invited to attend committee meetings either by standing invitation or on an ad-hoc basis to provide pertinent information and insights in their areas of responsibility. Members of management are requested to recuse themselves from the remuneration committee during the deliberations.

Every member of the board is entitled to attend any committee meeting as an observer. However, unless that member is also a member of the committee, the member is not entitled to participate without the consent of the chair; does not have a vote; and is not entitled to fees for such attendance.

PRINCIPLE 9:
The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness:

The board of directors assume responsibility for the evaluation of its own performance and that of its committees, its chair and its individual members.

The board has agreed that the assessments are best conducted by dialogue between all the board members in a transparent and open manner at the board meetings. Board assessments are therefore carried out in an informal manner, best suited for the board of HCI.

The chairman's ability to add value, and his performance against what is expected of his role and function is assessed every two years by the board, as a whole.

The board determines its own role, functions, duties and performance criteria as well as that for directors on the board and the board and board committees to serve as a benchmark for performance appraisal. The remuneration committee reviews and assesses the results of the company and benchmarks them against set targets and the action plan as approved previously by the board.

The audit committee assessments are managed in a more formal manner and the members of the committee complete written assessments of the committee, the financial director and the finance team as well as on the external auditors and internal auditors and submits these to the company secretary for review.

The assessments conducted in July 2022 did not raise any material matters that require remedial action. Assessments were not conducted during the year under review. It was noted that all directors were expected to keep up to date with relevant legislation; the company secretary continues to forward any relevant matters through to the directors.

The board of the company is satisfied that the manner of its informal evaluation process leads to improvements in its performance and effectiveness.

PRINCIPLE 10:
The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities:

The board has set the direction and parameters for the powers which are to be reserved for itself, and those that are to be delegated to management via the chief executive officer. In delegating these powers, the board does not abdicate its responsibilities.

The executive management assists the chief executive officer in managing the company. The chief executive officer is accountable to the board and reports to the board. The chief executive officer is invited to attend all audit meetings and remuneration meetings but is not a member of these committees. As the board has not constituted a separate nominations committee, and all nominations are approved collectively by the full board, the chief executive officer, is party to the appointments.

The company has appointed a company secretary in accordance with the Act and has considered the appropriateness and effectiveness of the appointment. The company secretary has an arm's length relationship with the board.

The chief executive officer is a member of the board of HCI's numerous subsidiary companies.

The board reviews the membership of the chief executive officer to other governing bodies outside the organisation that may result in potential conflicts of interests and time constraints but balances these appointments against the opportunity for professional development.

The chief executive officer is evaluated by the board of directors in terms of achieving annual budget and targets as well as market share indices. An assessment of the chief executive officer is part of the evaluation of the performance of the board.

The chief executive officer and financial director oversee that key management functions are headed by individuals with the necessary competence and authority as delegated by the board. They have been authorised to ensure that key management functions are adequately resourced to ensure operational effectiveness.

The board of directors of the underlying investments contribute to decisions regarding senior executive appointments and succession planning in their specific operations.

PRINCIPLE 11:

The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives:

The board's responsibility for risk governance is expressed in the board charter, risk policy and plan. The board assumes responsibility for the governance of risk, as it pertains to strategy, by setting the direction of how the risk is approached and addressed in the company.

HCI continuously considers the risks and opportunities related to its current portfolio, as well as future investments. This process, which is integral in the manner in which the company makes decisions and executes these decisions, is led by the executive committee. Oversight of risk governance is allocated to the audit and risk committee and supported by the board as a whole.

As HCI is an investment holding company, its subsidiary companies report on subsidiary key risks and responses in terms of their risk management frameworks to the audit and risk committee. The key group risks are reviewed by the audit and risk committee; the board evaluates and agrees to the nature and extent of the risks that it is willing to take to reach its strategic objectives. The board monitors that risks taken are within the tolerance and appetite levels. The setting of risk tolerance levels is considered at the subsidiary board level. No specific risk tolerance levels have been set at the group level with each investment opportunity being considered on its own merit.

The board has delegated to management of the subsidiary investments the responsibilities to implement an appropriate risk management policy and process thereby implementing an effective risk management system.

The subsidiary investment companies report to the audit and risk committee on a quarterly basis. The audit and risk committee considers the risk policy, plan and implementation thereof. At a group level the responsibility for execution of the risk policy and plan rests with the executive committee.

Management provides assurance to the board that the risk management plan is integrated in the daily activities of the company. In identifying major risks, management actively identifies both the negative impact of the risk on the business, and the positive business opportunities. The company and its subsidiaries concentrate both on minimising the potential negative impact of the risk and exploiting the upside of these risks, resulting in a positive business opportunity or increased sustainability.

The board promotes transparency, accountability and consistency throughout its risk management process by identifying and segregating the roles of management and utilising all the resources available.

HCI is a diversified investment holding company and its core structure is to ensure that the organisation under volatile conditions will continue to provide an adequate return to shareholders as all investments are independent of each other and operate in different sectors of the economy. The investments are primarily based in South Africa.

The devastating COVID-19 pandemic however demonstrated a major flaw in the risk management of the company as the threat posed by the pandemic was not anticipated. Many of the company's primary assets had to close due to the government imposed lockdowns. It also brought out the strengths in the group – strong management teams and real diversity of businesses across the group which has allowed the company to remain as a going concern without the need for a rights issue or the closure of any businesses.

Risk management is an evolving function and further emphasis on improvement of performance to risk is ongoing.

PRINCIPLE 12:
The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives:

The boards of the subsidiary investment companies assume responsibility for the direction and approach to information and technology ("IT") by setting the direction for how IT should be approached and addressed in the subsidiary. Policies that articulate and give effect to the direction of the IT environment have been implemented at all the companies and approved by the boards of these companies. The IT environment is reported to the HCI audit committee through the risk report, on a quarterly basis.

The HCI executive committee assumes responsibility for the governance of IT at the head office level and the level of preparedness is included in the risk reports. IT has a limited scope at the group level and therefore outsourced its IT function to service providers through comprehensive service level agreements. The service level agreements of the service providers, which deals with, inter alia, key deliverables such as system and user support, system availability, cyber-risk management, virus protection, telephony and other general controls, is reviewed annually and its compliance monitored. Regular vulnerability assessments are conducted to ensure that both the internal and external network is adequately protected and the status on IT security and governance is reported quarterly to the board to ensure continuous improvement of the cyber-security posture at HCI. The project to migrate various on-premises solutions to the cloud, which provides better security and disaster recovery capabilities was completed. The existing cloud computing technologies made the transition from working on premises / onsite to remotely seamless with minimal setup and provided an adequate level of protection to mitigate against the risks of working remotely.

Management is responsible for the implementation of all the structures, processes and mechanisms for the IT governance framework. The board, through ongoing oversight of the IT environment ensures that the IT strategy is integrated with the company's strategic and business processes and aligned with the performance and sustainability objectives of the company. The proactive monitoring of IT ensures quick identification and responses to IT incidents e.g. cyber-security incidents and provides for business resilience.

The policies implemented ensure the ethical and responsible use of technology and information. IT risks form an integral part of the company's risk management activities. When considering compliance of the applicable laws, standards and codes, compliance with technology and information codes and standards are also considered. Management advises the board on the implementation of the changes to the IT environment and its resilience to adapt to the needs of the company.

PRINCIPLE 13:

The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen:

Compliance with laws, rules, regulations and relevant codes is integral to the company's risk management process. The audit and risk committee is responsible to ensure that an appropriate compliance framework is in place and that non-compliance is reported and to review significant risk matters. The social and ethics committee has also been mandated to monitor the effectiveness of compliance management in the group.

The majority of the subsidiaries within the group work within highly regulated environments and legal compliance is paramount to all licence conditions. The board, and the board of the subsidiary investment companies ensure that the legal compliance policy, as approved by the board, is implemented by management.

The board has delegated the responsibility for the implementation and execution of compliance management to the relevant boards and management of the subsidiary companies. The board of HCI and its management are represented on all the boards of the subsidiary companies. The subsidiary companies have confirmed that there is sufficient management capacity and controls in place to ensure that all relevant laws and practices are complied with. Feedback on the group's legal and regulatory risks is provided to the audit and risk committee on a regular basis by the chief risk officer.

The board understands, and is aware, that the promotion of a culture of compliance within the group will reduce the risk of violating the rules and regulations that govern the company. The process of compliance can, furthermore, remedy any breach that may have occurred.

The board of HCI have a working understanding of the effect of the appropriate legislation, rules, codes and standards on the company and the business. Directors of subsidiary companies are expected to have a deeper grasp of the company on which they sit.

The board oversees that the compliance policy and system provide for examination of the context of law, and how other applicable laws interact with it. This holistic view of compliance ensures that the group keeps pace with the changing regulatory environment to reduce and mitigate the risk, ensure transparency and keep on top of critical related compliance issues.

HCI is in compliance with all the listing requirements of the JSE and complies with the Companies Act 2008, as amended.

PRINCIPLE 14:

The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term:

HCI's remuneration committee is delegated by the board to review the compensation of all executive directors, senior management as well as non-executive directors at a group level.

The HCI remuneration policy is set out in the remuneration and implementation report of the annual reports. In accordance with LR3.84, the remuneration policies and the implementation report are tabled each year for a separate non-binding advisory vote by shareholders of HCI at the annual general meeting.

As all the non-binding advisory resolutions in respect of the company's remuneration policy and remuneration implementation report were approved by more than 75% of votes cast at the annual general meeting on the 30 August 2021 it was not necessary to call a meeting with dissenting shareholders.

In line with the memorandum of incorporation HCI (and its subsidiaries) directors may be paid for the services to the company as a director. The remuneration committee of HCI has decided that non-executive directors should be paid a fixed annual fee and not be remunerated by means of a base fee and attendance fee in respect of their board and committee obligations. Furthermore, the fees payable to non-executive directors for obligations at a committee level may not be more 50% of the fixed annual fee regardless of the number of board committees to which they have been appointed.

The fees for services rendered by the non-executive directors, as recommended by the board, are approved by a special resolution by shareholders at the annual general meeting of the company each year.

The executive remuneration is aligned with the company's approach of rewarding senior executives fairly and competitively and in line with value created within the group. The board of HCI ensures that the company remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. Executive directors enter into employment contracts with the company and are provided for by the payment of a salary and other benefits. A malus and clawback policy has been approved and implemented by the board, there are no termination benefits.

The remuneration policy only addresses HCI, rather than the organisation-wide remuneration. The board and management of HCI do not dictate the remuneration policies of the subsidiary companies, which operate in various industries. Remuneration of the management of subsidiary companies include provisions to reward the specialised skills required to operate within a business segment.

PRINCIPLE 15:

The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports:

The board, through its sub-committees, operates within the confines of the JSE regulations, Companies Act and King IV™.

Internal controls are established not only over financial matters, but also operational, compliance and sustainability issues. The board acknowledges its accountability to its stakeholders to present information that is relevant, accurate and reliable. In this regard it should be noted that HCI follows a combined assurance model, incorporating management, internal audit, risk management and external audit.

The audit and risk committee is responsible for the assurance provided by the external auditors, internal audit, risk officer and other assurance providers. The social and ethics committee is responsible for the assurance provided by Empowerdex in respect of the B-BBEE certification and by IBIS Consulting in respect of the Carbon Disclosure project.

All board members are expected to familiarise themselves and critically review all reports and information from all sources of assurance to determine the extent to which an effective control environment has been achieved. The board and its committees rely on management's knowledge and expertise of the various areas requiring assurance to scrutinise and validate the results of all external reports. A statement of assurance is included annually in the integrated report.

The HCI board has appointed GRIPP Advisory Proprietary Limited as its internal audit service provider, providing internal audit and advisory services to the HCI group of companies. The purpose, authority and responsibility of the internal audit function are defined in an internal audit charter, which is reviewed and approved annually by the audit and risk committee. The internal audit charter defines, among others, the purpose, authority and responsibility of internal audit in respect of the combined assurance model and prescribes that internal audit must comply with and conduct its work as per the International Professional Practices Framework of the Institute of Internal Auditors.

The audit plan, approved by the audit and risk committee is updated regularly to ensure it is responsive to change, is based on an assessment of risk areas identified by internal audit and management, as well as focus areas highlighted by the audit and risk committee and executive management. It includes activities that support the achievement of an effective internal control environment, which in turn supports the integrity of information that is reported.

PRINCIPLE 16:

In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time:

The board of directors is the ultimate custodian of the company's corporate reputation and stakeholder relationships.

A board policy in respect of the stakeholder relationship has not being formally documented but it is noted that HCI manages stakeholder relationships within the guidelines as set by the Act and the JSE regulations. The board has adopted communication guidelines that support a responsible communication programme in line with the listing obligations of the JSE. The management of stakeholder relationships has been delegated to both the finance team and the company secretary, but the board remains accountable.

The oversight of stakeholder relationships is performed by the board, rather than by the social and ethics committee in terms of S94(7)(g). Stakeholders which could materially affect the operations of the company are identified, assessed and dealt with as part of the risk management process by the audit and risk committee. The key focus areas of stakeholder relationships are transparency, accountability and integrity.

To date no stakeholder complaints have been received by HCI that has necessitated any dispute resolution.

The majority of the significant subsidiary investment companies are public listed companies which have implemented and adopted their own governance policies, processes and procedures.

REPORT OF THE REMUNERATION COMMITTEE

Chairperson: Mr MF Magugu

Members: Mr JG Ngcobo and Ms RD Watson

The Remuneration Committee ("committee") is pleased to present its report for the year ended 31 March 2022, as recommended by the King IV Corporate Governance Code ("King IV™"). The committee is constituted by the board, has an independent role, and is accountable both to the board and to shareholders.

The Committee is a statutory committee constituted in terms of section 94(7) of the Companies Act.

The board has delegated responsibility for the oversight of HCI's remuneration practices to the remuneration committee. In line with principle 14 of King IV™, the committee ensures that HCI remunerates fairly, responsibly and transparently, so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. The committee seeks advice and guidance from external experts, as deemed appropriate.

The HCI remuneration report, as recommended in principle 14 of King IV™ includes the following:

- role, purpose and function of the remuneration committee;
- main provisions of the remuneration policy; and
- the remuneration implementation report

The committee has adopted, where appropriate, certain elements of the King IV™ principles in relation to Remuneration.

COMPOSITION

The committee comprises the following independent non-executive directors, who have the requisite skills and experience to fulfil the committee's duties:

- Mr FM Magugu (chairperson)
- Mr JG Ngcobo and
- Ms RD Watson

The chairperson of the board is not a member of the remuneration committee. In line with the recommendations of King IV™, the chief executive officer attends the meetings of the committee at the request of the committee but recuses himself from the meeting before any decisions are made.

The committee meets as often as required but not less than twice a year as per the memorandum of incorporation of the company.

Committee meeting attendances for FY2022 are as follows:

Committee member	No of meetings	Attendance of members
MF Magugu	2	2
JG Ngcobo	2	2
RD Watson	2	2

ROLE, PURPOSE AND FUNCTION

This committee is primarily responsible for overseeing the remuneration and incentives of the executive directors and executive management.

The key duties of the committee include:

- ensuring that HCI upholds its entrenched remuneration philosophy that is consistent with the company's long-term requirements and decision making and promotes the achievement of its strategic objectives;
- determining on an annual basis:
  - the remuneration of non-executive directors;
  - the total remuneration package of executive directors including annual increases, short-term performance bonuses and long-term incentives;
  - ensuring the combination of fixed and variable pay is appropriate when benchmarking remuneration levels;
  - reviewing all proposals for executive share-based incentives and other short-term and long-term incentive schemes;
  - compiling a report for inclusion in HCI's integrated annual report and reviewing any disclosures in the report or elsewhere on remuneration policies or directors' remuneration; and
  - review of the terms of reference of the remuneration committee;
- making recommendations to the board on directors' fees and the remuneration and service conditions of executive management;
- providing a channel of communication between the board and management on remuneration matters. The committee has empowered management to ensure that this principle is upheld and to address any remuneration disparities.

PROVISIONS OF THE REMUNERATION POLICY

Executive directors:

HCI's remuneration policy is aligned with its commitment to the principle of fair and responsible remuneration for all employees, based on their capabilities, skills and responsibilities. The committee takes cognisance of local best remuneration practices in order to ensure that such total remuneration is fair and reasonable to both the employee and the company. The committee utilises the services of independent remuneration consultants, as and when required, to assist in providing guidance on the remuneration for executive management. This philosophy's intended consequence is to attract, retain and develop employees with scarce and critical skills who contribute to sustained business growth and who are aligned to the strategic and operational requirements of the business.

The remuneration structure of executive directors is linked to the group's medium- to long-term business objectives and is therefore aligned to shareholder interests. The performance of the chief executive officer is evaluated by the board of directors. As management works together as a team, the performance of the chief executive officer reflects the performance of management as a whole. The annual pay increases of the executive directors are aligned to the annual increase parameters as determined by the remuneration committee.

The total remuneration packages of executive directors comprise:

- a guaranteed remuneration package;
- a short-term discretionary cash-based incentive bonus; and
- participation in the The HCI Employee Share Scheme.

Guaranteed salary:

A market related guaranteed remuneration is paid to executive management and staff irrespective of the group's performance in order to attract and retain talented high-performing people.

Key employees and staff are entitled to leave benefits as per the Basic Conditions of Employment Act. Executive management and long-serving employees have been awarded with extra leave days. No further benefits are offered to key employees or staff. Salaries paid are cost to company.

Short-term incentive cash bonus:

Executive directors participate in the annual short-term cash-based incentive scheme. The sustainability of HCI's business is critical in determining remuneration and the board is satisfied that the performance criteria do not encourage excessive risk-taking by the executives. A strong overlap of members sitting on the audit and risk committee and the social and ethics committee with that of the remuneration committee ensures that all stakeholder interests and the status of the company as a good corporate citizen is upheld and that the risk of the company is well-managed when the performance of executive management is under consideration.

The maximum bonuses that can be earned by executive management are as follows:

Position	% of annual salary
Chief executive officer	75
Financial director	65
Other senior management	40-65

The annual discretionary short-term incentive scheme awarded to key employees is not based on predetermined performance targets but rather on comprehensive financial and non-financial performance.

HCI is an investment holding company and therefore cannot set specific targets that are usually set in operating companies. The group results are largely dependent on the performance of the operating entities as a result of the strategic and capital allocation decisions taken by the holding company. The value generated by management may not only be visible at year-end; it is a consequence of deal-making and successful litigation over time.

The following performance measures and value drivers were considered in reaching a final bonus for executive management for recommendation to the board:

- preservation of long-term growth of the share;
- identification of new growth opportunities for the company;
- protection of cash negative fast-growing assets in the company through cash-stressed COVID-19 conditions;
- strategic direction for subsidiaries;
- allocation of capital to new and existing investments;
- management and reduction of debt to the satisfaction of lenders without the requirement of the disposal of assets below the fair market value, or rights issues, in any of the business entities;
- legal matters and other negotiations that are drivers of value creation;
- sustainability of increased value delivered to shareholders over time;
- safeguarding and managing HCI's reputational risk; and
- the impact on all stakeholders..

To mitigate the risk of reckless pay-outs, an annual award is considered, as opposed to large once-off awards. A Malus and Clawback policy was approved into the remuneration framework in FY2020 for executive management.

Long-term incentive scheme:

The group operates a share option scheme, The HCI Employee Share Scheme ("the Scheme"), in terms of which shares in the group are offered on a share option basis to participants, provided they remain in the group's employ until the options vest. Any gain realised on the exercise of these options is settled on a net equity basis, whereby the participant receives that number of shares that equates in value to the gain made on exercise date.

Options must be exercised within six months of the vesting date, where after the options lapse. Options vest over periods of three to five years. These vesting periods may be varied by the board of directors. Share options are allocated to participants at a ten percent discount to the 20-day volume weighted average market price as at the date of grant. The number of share options granted is determined by use of a multiple of the participant's basic salary, divided by the discounted market price.

The multiples relating to each level of management are as follows:

Position	Multiple of basic salary
Chief executive officer	6
Financial director	5
Senior management	4-5
Other management	2-3

Such awards are made from time to time and are disclosed in detail. Refer to pages 45 to 48.

On 31 March 2022, HCI held sufficient treasury shares to settle its obligations to deliver shares to the participants in the HCI share scheme.

In the event of resignation or dismissal for just cause all unexercised share options will be forfeited .

Subject to the discretion of the board, in the event of death, disability, retrenchment or retirement (or early retirement) unvested share options may become exercisable prior to the option expiry date.

In the event of a change of control of the company, unvested share options may become exercisable immediately or the subject share changed to another entity, subject to the discretion of the board.

As agreed at the shareholder meeting held in December 2020, no policy changes to the long-term incentive scheme were required to be implemented as these were not justifiable in the context of the HCI business model or strategic objective.

Minimum shareholding in company:

International remuneration practices may require that executive management should hold a minimum percentage of the total guaranteed package or base salary in company shares and these shareholding requirements should be included in the remuneration policy. This practice is intended to enhance alignment of interests with other shareholders to show long-term commitment and sustainable company performance by sharing all the risks.

Executives at HCI hold a substantial stake in the company, they have held shares in the company for a protracted period of time, and in the circumstances the committee is satisfied that it is not necessary to impose corporate requirements on senior executives to create a feeling of well-being amongst other shareholders who are likewise free to trade their shares at will. Should we find the shareholding owned by management decreases in any material way the committee will review this issue.

Other payments:

HCI does not contract for retention and sign-on payments or termination payments and restraint of trade payments.

Non-executive directors:

Non-executive directors receive fees for their services as directors and for serving on board committees. These fees reward the directors fairly for the time, service and expertise that they provide to HCI.

Non-executive directors earn a basic fee which is in line with companies of a similar size. These fees escalate annually in line with inflation and are benchmarked, every 3 years, against the 50% median of the market for comparable companies utilising independent salary surveys. HCI did not utilise an independent remuneration consultant but made use of the PWC REM channel national survey in 2019.

Directors earn up to a maximum of 50% of their board fees by serving on the committees responsible to the board of directors. Non-executive directors do not receive short-term incentives and do not participate in any long-term incentive schemes.

Directors' emoluments and other relevant remuneration information are disclosed on pages 49 and 50 of the remuneration report.

KEY DECISIONS TAKEN:

HCI has a diversified portfolio of investments across many industries including media, transport, industrial and manufacturing, properties, mining and leisure industries.

Guaranteed salary:

The average salary increase recommended by the remuneration committee for FY2023 is 5.7% (2022: 6%).

Short-term incentive cash bonus:

The company froze all short-term incentive bonuses to senior staff for FY2020 and postponed considerations of any such payment during FY2021 despite the committee being absolutely satisfied with the efforts made by executives related to objectives set out in the short-term incentive policy.

At the August 2021 remuneration committee meeting and subsequent board meeting, it was resolved to pay a short-term bonus of 75% for FY2021 based on the highlights and achievements for FY2021 as set out in last year's integrated annual report.

The highlights and key decisions taken for FY2022 were as follows:

- the discovery of oil and gas offshore Namibia has the potential to be utterly transformative for both the Namibian economy and for the company;
- recovery of the major businesses due to Covid-19;
- the successful management of debt at the business entities and at HCI, the holding company, removing the need for rights issues and the subsequent dilution of shareholder value;
- the company returned to pre-Covid profitability with headline earnings of R1,1 billion (2021: R233 million);
- market capitalisation has increased to R9.543 billion (FY2021: R5.137 billion) as a result of the increase in share price to R118.00 at year-end (FY2021: R63.52) demonstrating the success of the company;
- subsequent to year-end the Constitutional Court set aside the government decree to switch off the transmitters in a number of areas as they migrate from analogue to digital; and
- generally, the subsidiary companies operate without the assistance of HCI unless there are significant issues and, as the majority shareholder, HCI becomes involved. This involvement normally involves assistance with litigation. Current legal matters include:
  - ongoing wage negotiations for Golden Arrow Bus Services;
  - ongoing consultations with the community that owns the surface rights on land required for the Platinum Group Metals infrastructure;
  - proceeding relating to the removal by MultiChoice of the four eMedia entertainment channels from the DSTV platform. eMedia is awaiting the judgement from the Competition Appeal Court; and
  - defending the interdict brought against Impact Oil and Gas in respect of the 3D seismic acquisition programme commenced by Impact and Shell in the Transkei area, at the end of 2021; awaiting judgement from the Eastern Cape Appeal Court.

Long-term incentive scheme:

In line with the prior year the committee awarded share options to management in December 2021.

No outstanding share options granted to management prior to the December 2021 award were exercised during the year.

Non-executive fees:

In line with the 5.7% increase granted to management, the committee approved a similar CPI increase to the non-executive directors.

The proposed fee structure payable to non-executive directors from the 1 September 2022 to the following annual general meeting is presented in the table below. Also see Special Resolution Number 2 on page 10 in the Notice of Meeting.

Position	Actual fee 2021	Proposed fee 2022
	Excluding VAT	
	R'000	
Non-executive director	343.0	362.0
Member of audit committee	171.5	181.0
Member of remuneration committee	90.0	95.3
Member of social and ethics committee	42.4	44.8

VOTING RESULTS AND SHAREHOLDER ENGAGEMENT

The remuneration policy report and the remuneration implementation report, which provide insight into the group's remuneration practices are tabled for non-binding advisory votes of shareholders at the annual general meeting. The remuneration policy report has been split into three non-binding advisory votes : long-term incentive remuneration policy; short-term incentive remuneration policy and guaranteed payment remuneration policy. In the event that any of the three remuneration policy reports or the remuneration implementation report, been voted against by 25% or more of the voting rights exercised by shareholders at the annual general meeting, the company will formally engage with such dissenting shareholders to understand the reasons for the dissenting votes, and in respect of objections which are legitimate and reasonable to consider amending the remuneration policies or governance processes.

The non-binding advisory votes on the three remuneration policy and the non-binding advisory vote on the remuneration implementation report was approved by 88.25%; 96.05%; 98.79% and 96.20% respectively of the voting rights exercised at the annual general meeting held on the 30 August 2021. As all the non-binding advisory votes exercised by shareholders at the annual general meeting were approved by more than 75% of the shareholders no meeting was held with dissenting shareholders.

CONCLUSION:

The committee is satisfied that it has carried out its responsibilities for the year in compliance with its mandate.

REMUNERATION IMPLEMENTATION REPORT

HCI EMPLOYEE SHARE OPTION SCHEME:

The group operates a share option scheme, The HCI Employee Share Scheme (the Scheme), in terms of which shares in the group are offered on a share option basis to participants, provided they remain in the group's employ until the options vest. Any gain realised on the exercise of these options is settled on a net equity basis, whereby the participant receives that number of shares that equates in value to the gain made on exercise date.

Options must be exercised within six months of the vesting date, whereafter the options lapse. Options vest over periods of three to five years. These vesting periods may be varied by the board of directors.

Share options granted to eligible participants that have not yet become unconditional:

	2022 Number of share options	2022 Weighted average exercise price R	2021 Number of share options	2021 Weighted average exercise price R
Balance at the beginning of the year	3 535 677	77.39	1 840 458	103.43
Options granted	1 226 753	69.44	1 699 833	49.30
Options that became unconditional	(830 705)	117.78	(4 614)	117.03
Options forfeited	(584 199)	72.64	-	-
Balance at the end of the year	3 347 526	65.28	3 535 677	77.39

The fair value of options granted is measured using the Black-Scholes model. Share options granted in the current year were fair valued using a volatility indicator of 45% (2021: 85%) and an annual interest rate of 3.75% (2021: 3.5%). The cost relating to options is recognised by allocating the fair value over the vesting period on a straight-line basis.

The volume weighted average share price during the current year was R80.00 (2021: R35.56).

The options issued in terms of the Scheme and outstanding at 31 March 2022 become unconditional between the following dates:

	Number of share options	Exercise price R
28 August 2022 and 28 February 2023	11 806	117.78
29 August 2022 and 28 February 2023	687 323	87.71
28 August 2023 and 28 February 2024	11 804	117.78
29 August 2023 and 29 February 2024	16 271	87.71
29 August 2024 and 28 February 2025	16 270	87.71
13 December 2024 and 13 June 2025	401 064	69.44
18 December 2024 and 18 June 2025	700 445	49.30
13 December 2025 and 13 June 2026	401 059	69.44
18 December 2025 and 18 June 2026	700 435	49.30
13 December 2026 and 13 June 2027	401 049	69.44
	3 347 526	

A maximum number of 2 313 172 (2021: 2 354 512) shares may be issued in respect of 3 347 526 (2021: 3 535 677) options issued in terms of the Scheme.

The maximum number of shares that may be utilised for the purposes of the Scheme is 10 500 000 shares. In addition to the options in issue at the reporting date and shares already delivered to participants, a further 7 572 781 (2021: 6 350 276) shares may be utilised by the Scheme. 1 226 751 (2021: 1 699 833) options were issued in terms of the Scheme during the year and nil shares were delivered to participants (2021: nil).

	2022 Number of share options	2022 Weighted average exercise price R	2021 Number of share options	2021 Weighted average exercise price R
OPTIONS GRANTED TO EXECUTIVE DIRECTORS				
JA Copelyn				
Balance at the beginning of the year	820 039	79.12	440 675	104.78
Options granted	290 379	69.44	379 364	49.30
Options expired	(250 224)	117.78	-	-
Balance at the end of the year	860 194	64.60	820 039	79.12
Unconditional between the following dates:				
28 August 2021 and 28 February 2022	-	-	250 224	117.78
29 August 2022 and 28 February 2023	190 451	87.71	190 451	87.71
13 December 2024 and 13 June 2025	96 793	69.44	-	-
18 December 2024 and 18 June 2025	189 682	49.30	189 682	49.30
13 December 2025 and 13 June 2026	96 793	69.44	-	-
18 December 2025 and 18 June 2026	189 682	49.30	189 682	49.30
13 December 2026 and 13 June 2027	96 793	69.44	-	-
JR Nicolella				
Balance at the beginning of the year	430 678	78.30	233 502	102.78
Options granted	150 925	69.44	197 176	49.30
Options expired	(117 043)	117.78	-	-
Balance at the end of the year	464 560	65.47	430 678	78.30
Unconditional between the following dates:				
28 August 2021 and 28 February 2022	-	-	117 043	117.78
29 August 2022 and 28 February 2023	116 459	87.71	116 459	87.71
13 December 2024 and 13 June 2025	50 309	69.44	-	-
18 December 2024 and 18 June 2025	98 588	49.30	98 588	49.30
13 December 2025 and 13 June 2026	50 308	69.44	-	-
18 December 2025 and 18 June 2026	98 588	49.30	98 588	49.30
13 December 2026 and 13 June 2027	50 308	69.44	-	-
TG Govender				
Balance at the beginning of the year	364 232	77.27	199 658	100.33
Options granted	125 970	69.44	164 574	49.30
Options expired	(83 792)	117.78	-	-
Balance at the end of the year	406 410	66.49	364 232	77.27
Unconditional between the following dates:				
28 August 2021 and 28 February 2022	-	-	83 792	117.78
29 August 2022 and 28 February 2023	115 866	87.71	115 866	87.71
13 December 2024 and 13 June 2025	41 990	69.44	-	-
18 December 2024 and 18 June 2025	82 287	49.30	82 287	49.30
13 December 2025 and 13 June 2026	41 990	69.44	-	-
18 December 2025 and 18 June 2026	82 287	49.30	82 287	49.30
13 December 2026 and 13 June 2027	41 990	69.44	-	-

	2022		2021	
	Number of share options	Weighted average exercise price R	Number of share options	Weighted average exercise price R
Y Shaik				
Balance at the beginning of the year	352 194	79.32	188 854	105.28
Options granted	125 026	69.44	163 340	49.30
Options expired	(110 318)	117.78	-	-
Balance at the end of the year	366 902	64.38	352 194	79.32
Unconditional between the following dates:				
28 August 2021 and 28 February 2022	-	-	110 318	117.78
29 August 2022 and 28 February 2023	78 536	87.71	78 536	87.71
13 December 2024 and 13 June 2025	41 676	69.44	-	-
18 December 2024 and 18 June 2025	81 670	49.30	81 670	49.30
13 December 2025 and 13 June 2026	41 675	69.44	-	-
18 December 2025 and 18 June 2026	81 670	49.30	81 670	49.30
13 December 2026 and 13 June 2027	41 675	69.44	-	-

Directors' shareholdings

	Direct beneficial		Indirect beneficial		Associates	
	Number	% holding	Number	% holding	Number	% holding
2022						
Executive directors						
JA Copelyn	-	-	6 490 077	7.6	-	-
JR Nicolella	152 097	0.2	-	-	13 235	-
TG Govender	-	-	17 250	-	915 534	1.1
Y Shaik	75 475	0.1	-	-	-	-
Non-executive directors						
L McDonald	1 100	-	-	-	-	-
	228 672	0.3	6 507 327	7.6	928 769	1.1
2021						
Executive directors						
JA Copelyn	-	-	6 490 077	7.6	-	-
JR Nicolella	152 097	0.2	-	-	13 235	-
TG Govender	-	-	17 250	-	915 534	1.1
Y Shaik	75 475	0.1	-	-	-	-
Non-executive directors						
L McDonald	1 100	-	-	-	-	-
	228 672	0.3	6 507 327	7.6	928 769	1.1

Other than as noted there were no changes in directors' shareholdings between 31 March 2022 and the date of issue of this report.

		Board fees R'000	Salary R'000	Other benefits R'000	IFRS 2 expense R'000	Bonus R'000	Total R'000
DIRECTORS' EMOLUMENTS							
Year ended 31 March 2022							
Executive directors							
JA Copelyn		-	8 158	-	7 075	4 589	19 822
JR Nicolella		-	4 986	102	3 776	2 480	11 344
TG Govender		-	2 123	-	3 257	1 035	6 415
Y Shaik		-	4 215	-	3 027	2 055	9 297
Non-executive directors							
MH Ahmed	(1)	765	-	-	-	-	765
MF Magugu	(2)	423	-	-	-	-	423
L McDonald		335	-	-	-	-	335
SNN Mkhwanazi-Sigege		335	-	-	-	-	335
VE Mphande	(3)	824		-	-	-	824
JG Ngcobo	(4)	502	-	-	-	-	502
R Watson	(5)	1 222	-	-	-	-	1 222
		4 406	19 482	102	17 135	10 159	51 284

(1) Includes R167 458 audit and risk committee fees and R263 000 board fees paid by subsidiary companies

(2) Includes R87 875 remuneration committee fees

(3) Includes R489 000 board fees paid by subsidiary companies

(4) Includes R63 029 audit and risk committee fees, R63 029 remuneration committee fees and R41 400 social and ethics committee fees

(5) Includes R63 029 audit and risk committee fees, R63 029 remuneration committee fees, R41 400 social and ethics committee fees and R720 000 board fees paid by subsidiary companies

		Board fees R'000	Salary R'000	Other benefits R'000	IFRS 2 expense R'000	Bonus R'000	Total R'000
DIRECTORS' EMOLUMENTS							
Year ended 31 March 2021							
Executive directors							
JA Copelyn		-	7 696	-	6 081	-	13 777
JR Nicolella		-	4 800	-	3 156	-	7 956
TG Govender		-	2 003	-	2 629	-	4 632
Y Shaik		-	3 976	-	2 619	-	6 595
Non-executive directors							
MH Ahmed*	(1)	715	-	-	-	-	715
MSI Gani**	(2)	611	-	-	-	-	611
MF Magugu	(3)	409	-	-	-	-	409
L McDonald	(4)	324	1 138	63	-	-	1 525
SNN Mkhwanazi-Sigege		324	-	-	-	-	324
VE Mphande	(5)	1 165	-	-	-	-	1 165
JG Ngcobo	(6)	741	-	-	-	-	741
R Watson	(7)	1 209	-	-	-	-	1 209
		5 498	19 613	63	14 485	-	39 659

* Appointed 7 September 2020
** Resigned 7 September 2020

(1) Includes R92 100 audit and risk committee fees and R439 000 board fees paid by subsidiary companies
(2) Includes R71 149 audit and risk committee fees and R398 000 board fees paid by subsidiary companies
(3) Includes R84 900 remuneration committee fees
(4) Salary and other benefits paid by subsidiary companies
(5) Includes R841 000 board fees paid by subsidiary companies
(6) Includes R60 900 audit and risk committee fees, R60 900 remuneration committee fees, R40 000 social and ethics committee fees and R256 000 board fees paid by subsidiary companies
(7) Includes R60 900 audit and risk committee fees, R60 900 remuneration committee fees, R40 000 social and ethics committee fees and R724 000 board fees paid by subsidiary companies

MF Magugu
Chairperson: remuneration committee
26 July 2022

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

Chairperson: Mr JG Ngcobo
Members: Mr JA Copelyn and Ms RD Watson

INTRODUCTION

The HCI Social and Ethics Committee has pleasure in submitting this report in respect of the past financial year.

The Committee is a statutory committee constituted in terms of the Companies Act to assist the board in monitoring the company's performance as a good and responsible corporate citizen. This report by the committee is prepared in accordance with the requirements of section 72(4) to section 72(10) of the Companies Act (No. 71 of 2008), as amended (Companies Act), and regulation 43 to the Act and describes how the committee has discharged its duties in respect of the financial year ended 31 March 2022.

COMPOSITION

The members of the committee, as appointed by the board, comprise two independent non-executive directors, Mr JG Ngcobo (chairperson) and Ms RD Watson, and the Chief Executive Officer, Mr JA Copelyn. To ensure that the committee fulfils its responsibilities, the composition of the committee has been expanded by inviting several personnel from within the company to join the committee, who are the drivers of the underlying functions of the committee. In line with the Companies Act, the invitees do not have voting powers. The board is of the opinion that the composition of the committee is satisfactory to discharge the committee's roles and responsibilities.

In terms of the committee's mandate, the committee holds a minimum of two meetings per year. Additional meetings are held on request of any member.

The table below records the attendance of the members at meetings:

Committee member	No of meetings	Attendance of members
JA Copelyn	2	2
JG Ngcobo	2	2
RD Watson	2	2

ROLES AND FUNCTION

There were no amendments to the committee's mandate during the year. The committee continues to review and report to the board on the sustainable development of the group and particularly:

- Black economic empowerment;
- environmental impact especially carbon emissions and water use;
- social development programmes through the HCI Foundation;
- health and safety; and
- compliance with legal and regulatory requirements

The social and ethics report of the company and of the group is set out on pages 60 to 68.

CONCLUSION

The HCI social and ethics committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period. The committee has fulfilled its mandate as prescribed by the Companies Act and confirms there are no instances of material non-compliance.

Mr JG Ncgobo
Chairperson - social and ethics committee
26 July 2021

Broad-Based Black Economic Empowerment ("B-BBEE")

HCI is one of the most empowered companies on the JSE. The company has its roots in the trade union movement, and we are committed to Broad-Based Black Economic Empowerment. The Southern African Clothing and Textile Workers' Union ("SACTWU") continues to be a major shareholder of HCI, benefitting more than 100 000 clothing and textile workers and enabling SACTWU to run substantial social programmes for its members. We view ourselves as pioneers of Black Economic Empowerment and we believe that broad-based groupings like ourselves represent the essence of the empowerment project.

In May 2021, the Minister of Trade, Industry and Competition published a Practise Note in which the status of broad-based groups was clarified. The Note confirms that broad-based groups are legitimate Black owners and subsequent to its publication, SACTWU was verified by Empowerdex as a Broad-Based Ownership Scheme ("BBOS"). At this time, the 2021 HCI B-BBEE Certificate, Annexure and Report were reissued to reflect the BBOS percentage under "Black Beneficiaries of Broad-Based Ownership Schemes" as 28.08%; this has increased to 43.82% for FY2022. In our latest verification, HCI comprised of 81%Black ownership (2021: 69.23%), 46.06% Black women ownership (2021: 37.46%) and 13.82% ownership from designated groups (2021: 7.83%).

The 2022 B-BBEE audit was concluded in July and HCI's contributor status level increased from 3 to 2 with 125% recognition. This is mainly due to an improvement in the skills development score, which had declined in the prior year (from 14.84 in 2020 to 8.97 in 2021) due to the impact of the COVID-19 pandemic and lockdowns on a number of the group's subsidiaries. Our empowerment efforts during the year included the registration of 57 unemployed disabled learnerships with Frontier (23); Deneb (20); eMedia (10); and 2 each at Gripp and HCI Coal; as well as providing enterprise and supplier development support to 95 Small, Medium and Micro Enterprises ("SMMEs") registered with the HCI Supplier Club.

The B-BBEE certificate is published on our website, www.hci.co.za.

Element	Maximum score	2022	2021	2020
Ownership	25,00	**25,00**	25,00	25,00
Management control	19,00	**14,73**	13,98	13,81
Skills development	20,00	**11,77**	8,97	14,84
Enterprise and supplier development	40,00	**41,46**	37,44	37,77
Socio-economic development	5,00	**5,00**	5,00	5,00
Overall score	111,00	**97,96**	90,39	96,42
B-BBEE certification		**2**	3	2

Diversity policy:

HCI adopted a gender and race diversity policy at board level in FY2019. At the date of adopting this policy, the board's aim is to ensure that the board will comprise of at least 25% female directors and will at all times have a majority of directors who are "black people" as defined in the Broad-Based Black Economic Empowerment Act, 2003, as amended.

At 31 March 2022, the board is comprised of 27% women (2021: 27%) and 81.8% of the directors are classified as "black people" (2021: 81.8%).

Compliance:

The group operates in a highly regulated environment. Where necessary, compliance officers have been appointed at each of the group's key operating subsidiaries and associated company levels for ensuring adherence to the various laws and regulations.

The committee is responsible for reviewing any major breach of relevant legal and regulatory requirements. The committee is satisfied that there has been no material non-compliance with laws and regulations.

The committee is also satisfied that it has complied with all its legal, regulatory and other responsibilities during the year under review.

Employment practices:

The company seeks to offer employment to newcomers in compliance with laws and codes regulating employment. As an investment holding company, HCI has a relatively small staff complement, with fewer than 50 employees. The majority are long-serving employees, with minimal rate of staff turnover. The company aims to remunerate its employees fairly and competitively, according to their capabilities, skills, responsibilities and performance levels.

HCI believes that all employees are entitled to equal opportunities to advance their careers and accordingly, it does not allow discrimination against employees based on gender, race, religion or any other factor in relation to such opportunities.

Environmental Sustainability:

As a responsible corporate citizen and acknowledging the importance of limiting the rise in global temperatures to 1.5°C above pre-industrial levels, HCI is focused on minimising its environmental impact through limiting our Greenhouse Gas ("GHG") emissions and our water usage and discharges. The HCI group has made good progress in this regard by prioritising the implementation of energy and water efficiency projects and solar power.

Not only has HCI focused on reducing its environmental impact, but it has further identified and managed climate- and water-related risks and opportunities. The HCI companies determine and report annually, through a formal risk assessment, the likelihood, timeline and magnitude of impact for each environmental risk and opportunity. The magnitude encompasses the size and scope of impact and speaks to the financial impact that the risk or opportunity is likely to have on the business. The risk assessment is performed at company-level as the size and scope of each risk and opportunity are particular to each company. The magnitude is further aggregated and reassessed by HCI; each risk and opportunity is considered in its own right and the likely financial impact on HCI of the risk or opportunity is evaluated. All risks and opportunities, including climate- and water-related risks and opportunities and other risks and opportunities are prioritised in relation to each other on this basis.

HCI aims to ensure that all its reporting is accurate and transparent. HCI has continued to improve the accuracy and comprehensiveness of its calculations and has included the reporting of the Scope 3 emissions for the period under review. Carbon and water footprints are calculated on an annual basis and the group has started to quantify its raw materials and waste footprints.

As disclosed in FY2021, HCI reports to the Carbon Disclosure Project on climate change and water. The recommendations of the task force on climate-related financial disclosures are integrated into HCI's response to the Climate Change Carbon Disclosure Project.

Given that climate- and water-related issues are cross-cutting in nature, the HCI Board has ultimate responsibility for climate-related issues.

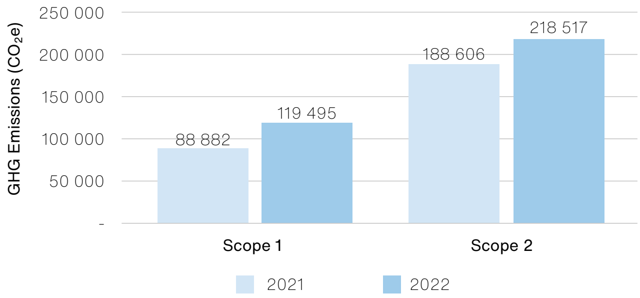
Our carbon and water footprints for 2022 are provided below.

Carbon Footprint:

HCI continues to quantify its carbon footprint in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. HCI reports on Scope 1 and 2 emissions which are under the operational control of the group. Scope 1 emissions are those that result from the combustion of fossil fuels by the companies in which HCI invests. Scope 2 emissions refer to emissions generated indirectly by the use of electricity provided by a third party to the companies in which HCI invests. HCI uses emission factors from the Intergovernmental Panel on Climate Change ("IPCC") 2006 Guidelines in line with the South African Department of Forestry, Fisheries and Environment's Technical Guidelines for Monitoring, Reporting and Verification of GHG Emissions by Industry.

For the year under review, the Scope 1 and 2 emissions were 338 011 tonnes of Carbon Dioxide equivalent (tCO_2e) which represents an increase of 22% over the Scope 1 and 2 emissions reported in FY2021. This increase is primarily attributed to a recovery from the impact of COVID-19 that affected the HCI subsidiary companies during the prior year. Increased output and activity are largely responsible for the increase in the group's emissions.

Scope 1 and 2 Emissions

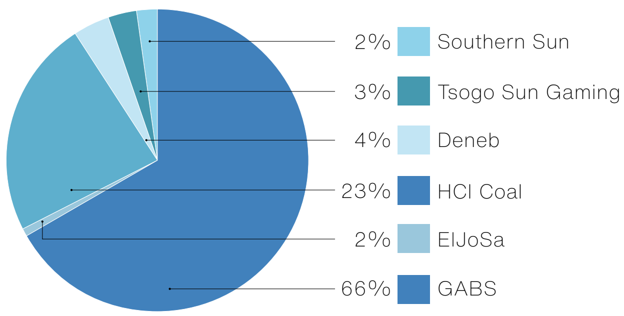


The prior year emissions were restated to account for changes in boundaries, such as the disposal and acquisition of assets to ensure comparative Scope 1 and 2 emissions year-on-year. All restatements are done in line with the Protocol Corporate Accounting and Reporting Standard.

The biggest contributors to HCI's Scope 1 emissions are Golden Arrow Bus Services ("GABS") and HCI Coal.

GABS is responsible for 66% of the group's Scope 1 emissions. The consumption of diesel is the major source of Scope 1 emissions for GABS to provide its commuter bus service. It should be noted, however, that in the absence of the public transport provided by GABS, greater emissions would be generated if commuters had to use private transport.

Scope 1 Emissions breakdown

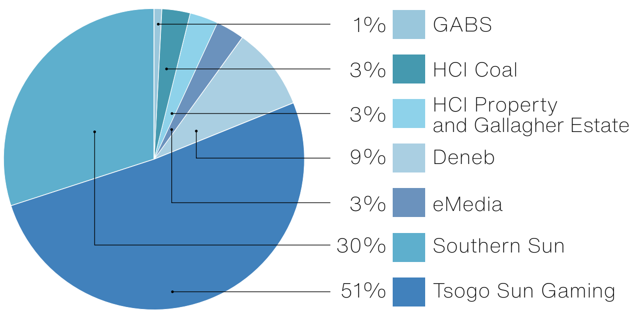


GABS reported an increase in its Scope 1 emissions for the year under review. For GABS, there was a significant increase in diesel consumed in the buses as the distance travelled and the number of passengers transported both increased as demand for public transport recovered post COVID-19 and the associated lockdown. Notwithstanding the increase in diesel consumption, when taking into account the increased distance travelled and increased numbers of passengers transported, the results showed a reduction of fuel per passenger per kilometer. The improved efficiency in the bus fleet demonstrates the company's continued commitment to reducing emissions.

HCI Coal accounts for 23% of the group's Scope 1 emissions. Diesel used in the mine fleet is the major source of Scope 1 emissions for HCI Coal. The increase in diesel consumed in the HCI Coal mine fleet is due to the increase in its Run-Of-Mine ("ROM") at Palesa Coal. The sale of Mbali Coal Mine, however, has resulted in a lower contribution by HCI Coal to HCI's Scope 1 emissions for the year under review.

The biggest contributors to the group's Scope 2 emissions are Tsogo Sun Gaming, Southern Sun and Deneb. Tsogo Sun Gaming and Southern Sun are responsible for 81% of the Scope 2 emissions for the year under review. Electricity is used in the casinos and hotels for heating, ventilation and air-conditioning, lighting, water heating, appliances, and gaming machines. Deneb is responsible for 9% of HCI's Scope 2 emissions. The manufacturing entities at Deneb responsible for a large portion of its Scope 2 emissions are Formex, Integrated Polypropylene Products, Custom Extrusion and Brits Non-Woven. These companies use electricity to power machinery used in the various production processes.

Scope 2 Emissions breakdown

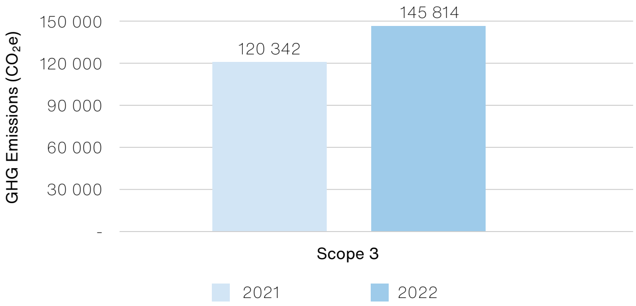


The increase in HCI's Scope 2 emissions resulted from increased activity as the subsidiary companies recovered from COVID-19. Southern Sun reported increased occupancy and both Southern Sun and Tsogo Sun Gaming reported increased operating hours. Formex, a Deneb entity, reported higher electricity consumption from increased activity due to new contracts coming online and expansion, with the addition of a new site.

Despite the increase in HCI's Scope 2 emissions, the group's companies have invested in, and continue to invest in, solar power to reduce its Scope 2 emissions.

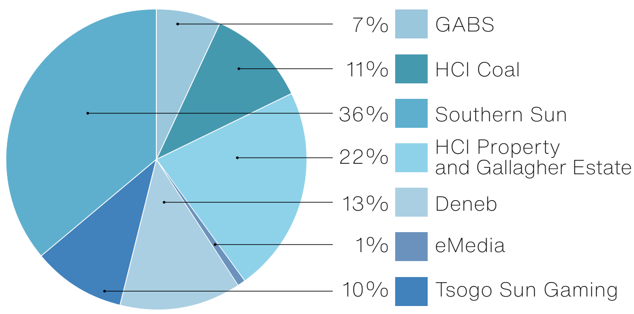
During the period under review, HCI is also reporting on its Scope 3 emissions. Scope 3 emissions are those associated with outsourced activities, including the use of HCI companies' products and services. The Scope 3 emissions for FY2022 are 145 814 tCO_2e. Again, this is a 21% increase from the prior year due to recovery from COVID-19.

Scope 3 Emissions



The Scope 3 emissions consist mainly of emissions associated with electricity used in properties owned by the group but rented to tenants as well as properties where a management service is provided. The major contributors to HCI's Scope 3 emissions are Southern Sun, Tsogo Sun Gaming, HCI Properties and Gallagher. Southern Sun and Tsogo Sun Gaming are responsible for 46% of the group's Scope 3 emissions. The major source of Scope 3 emissions for Tsogo Sun Gaming was the electricity consumption of buildings leased to tenants. For Southern Sun, the major source of Scope 3 emissions was the electricity consumption of tenants, followed by the electricity consumed in properties where it provides a management service. HCI Properties and Gallagher are responsible for 22% of the group's Scope 3 emissions as a result of electricity consumed by tenants in properties owned by these entities.

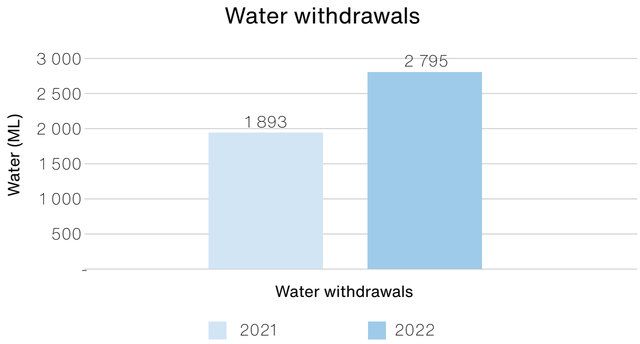
Scope 3 Emissions breakdown



Water Footprint:

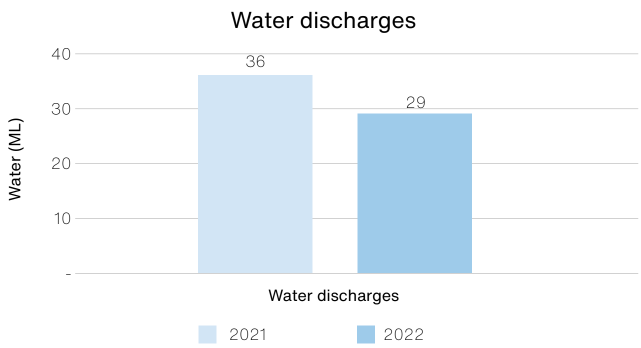
The group's water footprint consists of water withdrawals, discharges, and consumption. Water withdrawals reflect all water drawn into the boundaries of the HCI companies from all sources. Water discharges are a measure of water discharged to subsurface waters, surface waters, sewers that lead to rivers, oceans, lakes, wetlands, treatment facilities, and ground water. Water consumption is defined as water that is used but not returned to its original source. The water withdrawals, discharges and consumption have been restated in line with the restatements done on the carbon footprint.

During the year under review, the water withdrawals amounted to 2 795 ML. This is an increase of 48% on the prior year which is attributable to a recovery from the impact of COVID-19 that affected the subsidiary companies in the prior year. Increased output and activity are largely responsible for the increase in the water withdrawals.

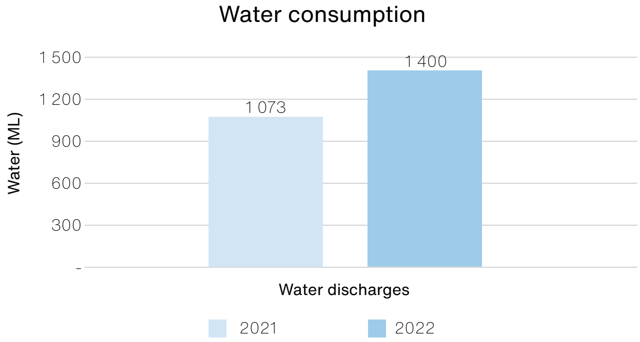


The major contributors to the water withdrawals for FY2022 are Southern Sun, HCI Coal and Tsogo Sun Gaming. Southern Sun and Tsogo Sun Gaming use water for food preparation, drinking, garden irrigation, pools and fountains and in bathrooms and kitchens. HCI Coal uses water for the washing of coal and extracts water when dewatering pits and from boreholes, rainwater and the water treatment dam.

The group's water discharges decreased, in spite of an increase in water withdrawals. There was a decrease of 19%, from 36 ML in 2021 to 29 ML in 2022. Deneb is responsible for 90% of the group's water discharges. Deneb's water discharges decreased due to the conversion of the Gold Reef Chemicals plant into a blending plant only. All other materials are outsourced with the result that no steam is generated on-site and no water is used for this steam generation. In prior years, Gold Reef Chemicals was a major contributor to Deneb's water discharges.



HCI's water consumption is 1 400 ML for the year under review. The major contributors to the water consumption are Southern Sun, Tsogo Sun Gaming and HCI Coal. For Southern Sun and Tsogo Sun Gaming, water is consumed in food preparation, drinking, garden irrigation and evaporation from pools and fountains. For HCI Coal, water is consumed through evaporation, spillages/overflows and surface moisture on coal.



Case Studies:

Creation of Blue Reef Water Solutions:

Blue Reef Water Solutions is a Deneb Company that was created out of a need in the market for quality water-related services and the recognition of the critical role of water in all sectors of the economy, its scarcity and rising cost.

Blue Reef offers its clients tailor-made solutions to their water problems. It has its own range of chemical products to treat water (cleaners, microbiocides, coagulants, etc.) that it sells into the open market. It also continues to innovate, developing products specifically formulated to meet the needs of the customer. Not only does the team design and supply the required chemicals, but it also designs, builds, supplies, installs and maintains the required equipment for the water treatment solution.

The team at Blue Reef embodies the words of Albert Einstein, 'We cannot solve our problems with the same thinking we used when we created them.' For Blue Reef, it is about looking at water differently, innovating and providing tailor-made solutions for its customers.

One way in which Blue Reef is looking at water differently is with its GROW programme. This unique programme is aimed at helping customers to realise water efficiencies. It draws links between water and solid waste recycling. It looks at water the same way we look at recovering paper, plastic, glass and metal. Recovery of recyclables is most effective when we practice separation-at-source and the same is true for water. If we can separate process and wastewater into good and bad or contaminated and uncontaminated and treat each stream based on its qualitative merits, we can recover more water and reduce treatment cost. For years, the focus has been on treatment of effluent by which time the good water has been mixed with the bad water and is contaminated, making treatment more difficult, more complex, and more expensive.

Romatex Water Efficiencies:

Deneb subsidiary, Romatex Home Textiles is one of the largest household textile manufactures in South Africa. Its Head Office is situated at a highly mechanised manufacturing facility in Cape Town, which used to have a dyehouse that was responsible for approximately 80% of its water usage. Dyeing is water-intensive, with water being needed to dye and rinse the fabric. Water is also used as a medium for heat transfer. With the introduction of water restrictions, the associated increase in water tariffs and production considerations, the dyehouse was closed in December 2017. This resulted in a dramatic decrease in Romatex's water consumption, with water now primarily being consumed in bathrooms and kitchens.

Even with this decrease in water consumption, Romatex continues to focus on using water as efficiently as possible through a range of awareness and education interventions focused on water efficiency at the factory. When walking through the site, one encounters signs encouraging staff to save water in almost every bathroom, kitchen and at almost every tap. Initiatives driven by management and staff have seen Romatex place hand sanitisers in all bathrooms, close selected taps, and reduce the number of times dishes are washed. The company has also implemented a rainwater capture system, which uses the dyehouse infrastructure to store the water. Rainwater is captured on the roof, runs into the gutters and downpipes and is channelled into the old dyehouse effluent pit where it is stored until it can be used. The effluent pit has the capacity to store 20 000 litres of water. By using existing infrastructure, Romatex has managed to implement the rainwater capture system at little cost to the business.

Solar Power:

GABS, HCI Properties and Gallagher, Vega Properties (a Deneb company) and Premier Rainwater Goods (a Deneb company) have solar photovoltaic systems installed to reduce Scope 2 emissions. A number of other HCI companies also have plans in place to install solar systems.


Golden Arrow Bus Services - Arrowgate depot

GABS expanded its rooftop solar electricity capacity with installations now commissioned at six depots in and around Cape Town. The total installed capacity has now been increased to 1 710kWp with expected generation of 2 700MWh per year. GABS will continue to explore opportunities to expand the capacity of existing solar systems and for the installation of additional solar systems. The expansion will be aligned with any future large-scale introduction of electric buses.

HCI Properties and Gallagher installed rooftop solar power systems at Kalahari Village Mall and Gallagher Estate to reduce electricity from the grid and to also reduce GHG emissions. The installation at Kalahari Village Mall provides enough renewable energy to meet approximately 20% of the mall's electricity demand. For Gallagher Estate, the solar system supplies about 10% of the estate's electricity demand.

Vega Properties installed a 442.8 kWp solar photovoltaic system which supplies Integrated Polypropylene Products. Over the reporting period, the solar plant generated 554 003.90 kWh.

Tsogo Sun Gaming has also installed solar at Garden Route Casino and Silverstar Casino.

HCI FOUNDATION ("Foundation")

www.hcifoundation.co.za

The year 2022 saw a gradual rebound of social and economic activities with the easing of COVID-19 related restrictions across the country. Whilst observing health protocols, grant beneficiaries went back to full implementation of their programmes, and bursary recipients adapted to the blended learning environment of remote and limited in-person classes. It was not smooth sailing: flexibility and agility were needed from our beneficiaries and ourselves to ensure that we adhered to our plans and objectives for the year and achieved the expected outcomes.

The HCI Foundation is proud of its achievements and more particularly those of our beneficiaries. They have produced excellent results, far exceeding our expectations, despite the COVID-19 related restrictions.

In this report, significant attention is given to three initiatives that have emerged as our growth areas for the past year, namely:

- Excellence in Early Childhood Development ("ECD");
- Sustainable Food Security Initiative; and
- Access to Clean Water programme.

We reflect on the first year of implementation of these interventions, which take place mainly in rural areas.

Excellence in Early Childhood Development Programme – quality play-based learning

By the time a child reaches five years old, the brain is fully developed. This means that access to quality early learning is critical for the development of every individual. When access to early learning fails to occur the costs to the state and the future of the country are immense. The HCI Foundation believes that it needs to invest in ECD now as the critical first step in ensuring a successful future for our children and the economy.

Over the years the Foundation has supported many organisations to deliver accredited enrichment training to practitioners as part of capacitating the sector and strengthening the delivery of quality early learning. However, we have come to realise that training practitioners only is not enough. To ensure measurable and sustainable impact, skill training must be combined with after-training support, mentoring of practitioners, monitoring and evaluation, as well as tracking the impact of programmes on learners over time.

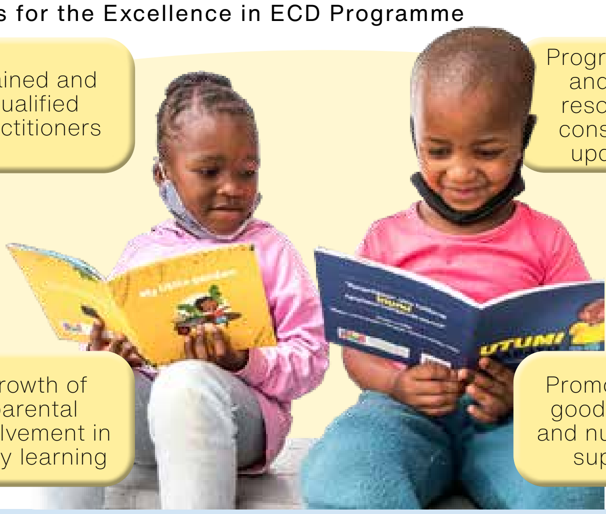
Together with our ECD partners, we have designed an ECD model that will ensure that children have access to quality, transformative early learning programmes provided by skilled, passionate, nurturing, and imaginative teachers, in an environment that is stimulating and conducive. This Excellence in ECD Programme has been implemented by our ECD partners across the country; its success is measured by eight critical factors (shown on next page). We have concluded the first year of implementation of the Excellence in ECD Programme and we will continue to measure the impact of the programme and track its long-term benefits on children as they grow and move into primary school.

Reach and impact of the Programme

8	Organisations in 6 provinces
755	Practitioners supported, trained and mentored
11 027	Children reached
8 409	Children received 4 picture books in partnership with Book Dash
3 662	Children receive a meal each day in partnership with the Lunch Box Fund
23 864	Indirect beneficiaries

CORPORATE SOCIAL INVESTMENT
(Continued)

The 8 Indicators of success for the Excellence in ECD Programme



- ECD centres linked to local Primary schools
- Trained and qualified practitioners
- Programmes and play resources constantly updated
- Effective delivery of quality play-based learning
- Effective monitoring, evaluation and tracking
- Growth of parental involvement in early learning
- Promotion of good health and nutritional support
- Compliance with government requirements

Showcase: Come-and-play bus structured playgroup programme – Lesedi Educare Association

The innovative use of mobile units operates in 9 informal settlement communities on the outskirts of Mangaung, reaching 312 young children who would not otherwise have access to any preschool learning. Play is used to develop key skills and provides the basis for children making a portfolio to take to their first school. Onboard libraries and a fun approach to books, provided in partnership with Book Dash, means "families are all enjoying reading the books together". Lesedi supplements the daily provision of snacks with a family-based household food gardening project which has led to the economic improvement in some of the lives of caregivers.

"When I see the children learning so much through all our playgroup activities, I know that I am helping them to learn and develop and that they are getting a good foundation for their future." Bus Playgroup Facilitator

Primary and Secondary School Education and Teacher Training

The Foundation supports diverse interventions at all school levels that seek to make quality education accessible to as many learners as possible, whilst addressing challenges that could hinder their holistic development and academic success. These interventions operate both within and after-school and range from operational and infrastructure support to teacher support and development, to learners' psycho-social skills, music enrichment, environmental education, and academic support. By working collaboratively with organisations that identify key needs in their contexts, the HCI Foundation can make a positive impact on learner outcomes and reduce school dropout rates.

The past year saw the Foundation ramping up its efforts to support in-service and post-service teacher training and development. Four hundred and twenty-eight teachers benefited from these projects through conventional teacher training and qualification programmes at tertiary institutions, whilst others received enrichment and further training and support from education specialist NGOs.

"Teachers are a precious resource who need to be nurtured and supported so that they can play a meaningful role in transforming our education system," Prof Rochelle Kapp, chair of the Newly Qualified Teachers Project at UCT.

Bursary and Mentoring Programme – Investing in the next generation of leaders

The HCI Foundation bursary programme has shifted quite dramatically in the last couple of years, moving away from undergraduate students who are largely funded by government, to supporting primarily honours and postgraduate diploma students.

In the year under review, we funded 162 students in total; 119 of these were honours or postgraduate diploma students. Of this cohort, 102 students graduated.

Mentoring has been an invaluable part of our bursary recipients' personal and professional development. We encourage young people to engage with experienced leaders in different sectors through a relationship built on trust and responsibility. Frequently our mentors are the first adults who show an interest in the lives of our students and who celebrate their achievements. We are privileged to be able to draw on the expertise of managers in the HCI subsidiary companies as well as alumni of the bursary programme to provide mentoring to 67 bursary recipients this year.

"Please, allow me to use this opportunity to thank my Mentor Ayanda Mazibuko, General Manager of the Southern Sun InterContinental O.R. Tambo, for without his support I could not achieve what I have achieved this year. He is more than a mentor to me. The mentoring program helped me to grow in every single area of my life, and I see myself as a future leader. I thank the HCI Foundation for the mentoring opportunity. Ayanda is my hero!" extract from a letter from Gedeon Nibango, BTech Food Technology at The University of Johannesburg."

The Foundation also works with graduates to assist in providing work placement opportunities that can kick-start their road to success, knowing that one graduate supports a host of family and community members.

Gedeon Nibango with his mentor Ayanda Mazibuko (Southern Sun) at his graduation at UJ.

Environment

The HCI Foundation environmental programmes focus on initiatives around food security and access to water as well as programmes which raise awareness of the importance of natural resources in building community sustainability and developing local infrastructure.

Sustainable Food Security Initiative - making rural communities food secure

2022 was the first year of the implementation of the Foundation's Sustainable Food Security Initiative, a programme envisioned as an exit strategy from the Foundation's Food Relief Campaign in partnership with eMedia. The aim of this programme is to make rural communities food secure by empowering and supporting households to produce their own food and generate additional income from the sale of their farming surplus.

The Foundation worked with 5 partners in rural communities (KwaZulu-Natal and Eastern Cape) to design, develop and implement a food security programme in a way that fosters self-empowerment and self-reliance. Umthathi Training Projects, LETCEE, Buhle Farmers Academy, The University of KwaZulu-Natal's Farmer Support Group ("FSG") and Thanda are our implementing partners in this programme. We invested R2.4 milion in the initiative and harvested produce of a combined total value of R4.6 million. We plan to develop and grow this programme by expanding the reach and impact across more communities in the country.

Reach and impact of the Programme

58	Community gardens	46	Hectares
256	Household gardens	924	Households
884	Farmers	8 432	Indirect beneficiaries

CORPORATE SOCIAL INVESTMENT
(Continued)

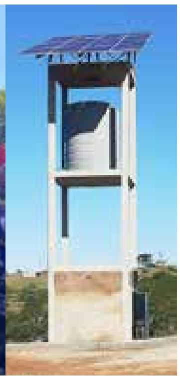
Showcase: Sunshine vegetable and multipurpose primary cooperative managed by Umthathi Training Project Trust in Makhanda, Eastern Cape.

Sunshine vegetable and multi-purpose primary cooperative was established and trained by Umthathi Training Project Trust in January 2021. The initiative aimed to create self-sustainable forms of income other than social grants for people with special needs. After the training, seven active members were given tools and seedlings to start their garden at a local clinic. The site was important as it provides a ready market to sell fresh vegetables to clinic patrons. Additional publicity through a local newspaper also saw an increase in the number of people coming to buy from these gardeners, and the local Pick 'n Pay has also adopted the project. This project is now registered with CIPC through the Department of Rural Development and Agrarian reform which have also assisted with additional seeds and tools. In January 2022, the group also started a savings programme with support from Umthathi.

Access to Clean Water – making rural communities water secure

Access to sufficient water is one of the necessities of life and a constitutional right. However, many rural communities compete with livestock in accessing water from open sources, and these run dry in droughts. Furthermore, women have to walk far and on difficult terrain to fetch water, and diseases spread from contaminated water. Communities are also unable to grow their own food. These are hardly conditions for thriving individuals or communities.

The HCI Foundation believes that access to drinkable and safe water will improve the living conditions of many marginalised rural communities, with knock-on effects on school attendance, health and economic viability.



The official opening of the tap in Cwakeme (left)
A solar-powered borehole in Cwakeme (right)

Showcase: Cakweme village

In 2021 the HCI Foundation partnered with Innovation Africa to give 4,500 people of Cakweme Village access to clean water. An existing borehole in the community was not sustainable: the water generated was insufficient and not fit for human consumption and it relied on fuel to operate.

Through our partnership with Innovation Africa, a non-profit organisation that brings solar, water and agricultural innovations to rural areas across Africa, a solar-powered borehole with the capacity to deliver potable water to the entire village of Cwakeme has been built. The borehole has a remote monitoring system, solar powered water pump, two water towers and 11 taps spread across the village with 7.5km of underground pipes. The impact of the project has been immediate: women do not have to walk far to collect water, the water is clean and potable, and 10 young people in the community have been trained to handle any problems arising. A committee comprising mainly women will oversee the management of the borehole. The old borehole will be repurposed for a farming irrigation project in the community as part of the Sustainable Food Security Initiative of the Foundation.

Going forward

Early Childhood Development, the Sustainable Food Security initiative and Access to Clean Water programme will continue to receive significant investment and attention from the HCI Foundation in the next three years. To achieve lasting and measurable impact, we will approach these focus areas in a systematic way by working with identified partners and communities for several years. Our vision is for a strategy that will galvanise much more support and allocation of resources from local and national governments, as well as other grant makers so that these interventions can have far reaching impact. We hope this will create a domino effect to address other existing and emerging needs in these communities.

DIRECTORS' REPORT

1. **Nature of business**

   Hosken Consolidated Investments Limited is an investment holding company, incorporated in South Africa and listed on the JSE Limited.

2. **Operations and business**

   The business operations of HCI include the making of investments in opportunities as identified by the board of directors and the adding of value to these investments over time. As such, HCI has itself consciously established and pursued an investment policy in terms of which it has endeavoured to maintain significant equity and capital participation in entrepreneurially-run companies with significant growth potential. The investments are constantly reviewed and new ones sought to complement them.

   Refer to pages 14 to 31 of the integrated annual report for an overview of operations for the year under review.

3. **Restatement of comparative results**

   Details of the restatement of comparative results are set out in note 51 of the annual financial statements.

4. **Business combinations and changes in the group's shareholding in subsidiaries**

   Details of business combinations and changes in the group's shareholding in subsidiaries are set out in notes 47 and 8 of the annual financial statements, respectively.

5. **Discontinued operations and disposal group assets and liabilities held for sale**

   Details of discontinued operations and disposal group assets and liabilities held for sale are set out in notes 38 and 15 of the annual financial statements, respectively.

6. **Share capital**

   Details of the authorised and issued share capital are set out in note 16 of the annual financial statements.

7. **Directorate**

   Details of the directors of the company appear in the Corporate Administration section of this report.

   No changes were made to the directorate for the year under review.

8. **Composition of the board**

   The board has assumed responsibility, in line with the board charter, for the composition of the board by ensuring diversity, gender parity, skills, knowledge and resources to effectively discharge its governance role and responsibilities and carry out all its duties.

   At 31 March 2022 the board was comprised of eleven members which included four executive directors, two non-executive directors and five independent non-executive directors. There is a clear balance of power and authority at the board of directors' level.

   The board is chaired by Mr VE Mphande, an independent non-executive director, who is not a former CEO of the company. There is a clear division of responsibilities between the chairman and chief executive officer. The board does not deem it necessary to appoint a lead independent director.

Board member	Number of board meetings	Attendance of members
MH Ahmed	5	5
JA Copelyn	5	5
TG Govender	5	5
MF Magugu	5	5
L McDonald	5	5
SNN Mkhwanazi-Sigege	5	5
VE Mphande (chair)	5	5
JG Ngcobo	5	5
JR Nicolella	5	5
Y Shaik	5	5
RD Watson	5	4

9. **Dividends**

   Due to the impact of the COVID-19 pandemic on the group's operations and the requirement to preserve cash resources, no dividend was declared during the year under review.

10. **Gender diversity**

    The board of directors has adopted a policy on gender diversity at board level and agreed on voluntary targets. The board has reached its gender target of 25% women.

11. **Race diversity**

    The board of directors has adopted a policy on race diversity at board level. The voluntary target was set at a majority of members being people classified as "black". 81.8% of the members of the board are classified as "black".

9. **Company secretary**

   HCI Managerial Services Proprietary Limited held the office of the company secretary for the 12 months ended 31 March 2022. The secretarial department is under the supervision of Cheryl Philip (FCIS) who is empowered, and authorised, to provide corporate governance services to the board and management. The board has evaluated the performance and independence of the company secretary during the period under review and it is satisfied that the company secretary is competent and has the appropriate qualifications and experience required by the group to administer the secretarial obligations of the company. The secretary has an arm's-length relationship with the board of directors.

The name, business and postal address of the company secretary are set out in the Corporate Administration section of this report.

10. Financial director

Mr JR Nicolella is the full-time executive financial director of the company.

11. Auditor

Subject to shareholder approval BDO South Africa Incorporated will continue in office in accordance with section 90 of the South African Companies Act for the 2023 financial year with Mr Theunis Schoeman as the designated auditor.

12. Auditor's report

The consolidated and separate annual financial statements, from which these summarised financial statements have been extracted, have been audited by BDO South Africa Incorporated and their unqualified audit report on the consolidated and separate annual financial statements is included on pages 10 to 18 of the annual financial statements.

13. Significant shareholders

The company's shareholders that own more than 5% of the issued shares are the Southern African Clothing and Textile Workers Union, Chearsley Investments Proprietary Limited and Squirewood Investments 64 Proprietary Limited who own 26.0%, 7.6% and 5.3% respectively. No shareholder has a controlling interest in the company.

14. Special resolutions

The following special resolutions were passed by the company's shareholders at the annual general meeting of shareholders held on 30 August 2021:

- granting the directors the authority, subject to the provisions of the Act and the provisions of the JSE Listings Requirements, to allot and issue ordinary shares of the company (or to issue options or securities convertible into ordinary shares) for cash to such person or persons, on such terms and conditions as they may deem fit. The aggregate number of ordinary shares to be allotted and issued for cash is limited as set out in the resolution;
- approval of the fees payable to non-executive directors for their services as directors or as members of the board sub-committees in respect of the financial period 1 October 2021 until the next annual general meeting of the company; and
- granting the company and the subsidiaries of the company a general authority contemplated in terms of paragraph 5.72 of the JSE Listings Requirements, for the acquisition by the company, or a subsidiary of the company, of ordinary shares issued by the company

15. Special resolutions of subsidiaries

The statutory information relating to special resolutions passed by subsidiaries is available from the registered office of the company.

16. Shareholding of directors

The shareholding of directors of the company and their participation in the share incentive scheme of the company as at 31 March 2022 are set out in the remuneration report in the integrated annual report on page 54 and in notes 42 and 41 of the annual financial statements respectively.

17. Directors' emoluments

Directors' emoluments incurred by the company and its subsidiaries for the year ended 31 March 2022 are set in note 43 of the annual financial statements.

18. Subsidiaries

Details of the company's subsidiaries are set out in annexure A to the annual financial statements.

19. Borrowing powers

There are no limits placed on borrowing in terms of the memorandum of incorporation. Certain companies in the group have entered into various loan agreements with providers of loan finance. These loan agreements include various covenants and undertakings by companies in the group which may restrict the group's borrowing powers. Details of these covenants and undertakings are set out in note 19 of the annual financial statements.

20. Litigation statement

There are no material legal or arbitration proceedings (including proceedings which are pending or threatened of which the directors of HCI are aware) which may have or have had, during the 12-month period preceding the last practicable date, a material effect on the financial position of HCI.

21. Material change

There has been no material change in the financial or trading position of the HCI group since the publication of its provisional results for the year ended 31 March 2022.

22. Events subsequent to reporting date

Events that occurred subsequent to the reporting date are set out in note 49 of the annual financial statements.

23. Going concern

The COVID-19 pandemic has severely affected the South African economy and the group's operations, specifically those of its hotel and gaming interests. In preparing the cash flow forecasts utilised to assess going concern, the continued impact of COVID-19 on the group's operations and liquidity was considered. The directors have assessed these cash flow forecasts together with the other actions taken or proposed and are of the view that the group has sufficient liquidity to meet its obligations as currently foreseen in the next financial year. Details of the impact of COVID-19 on the group's operations and liquidity are presented in note 50 of the annual financial statements.

BOARD APPROVAL

The directors of Hosken Consolidated Investments Limited ("HCI" or the "company") acknowledge responsibility for the integrity of the summarised annual financial statements. The board of directors, supported by the audit and risk committee endorsed the reporting frameworks utilised in this report and approved the material matters determined by management. The directors have applied their minds to the report and believe that it covers all material matters, that the information contained in this report is reliable and that it fairly presents the performance of the company.

VE Mphande
Chairperson

JA Copelyn
Chief Executive Officer

DECLARATION BY COMPANY SECRETARY

Hosken Consolidated Investments Limited ("HCI") has complied with all statutory and regulatory requirements in accordance with the Financial Markets Act, and all directives issued by the Financial Sector Conduct Authority.

In terms of section 88 of the Companies Act, as amended, I hereby confirm that HCI has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

HCI Managerial Services Proprietary Limited

HCI Managerial Services Proprietary Limited
Group Company Secretary

SHAREHOLDERS' SNAPSHOT

Analysis of shareholders

Listed below is an analysis of shareholdings extracted from the register of ordinary shareholders at 31 March 2022.

Range of holdings

Share Range			Number of shareholders	% of current shareholders	Number of shares	% of Issued Capital
1	–	1000 shares	2 508	75.8%	487 498	0.6%
1 001	–	10 000 shares	496	15.0%	1 754 303	2.0%
10 001	–	50 000 shares	184	5.6%	4 217 217	4.9%
50 001	–	100 000 shares	38	1.1%	2 733 214	3.2%
100 001	–	500 000 shares	56	1.7%	10 871 196	12.7%
500 001	–	1 000 000 shares	13	0.4%	9 146 794	10.7%
1 000 001	–	shares and over	13	0.4%	56 410 426	65.9%
			3 308	100.0%	85 620 648	100.0%

Type of shareholder

Banks and custodians	71	2.1%	6 259 162	7.3%
Close Corporation	15	0.5%	20 470	0.0%
Individual	2 497	75.4%	2 890 306	3.4%
Other Corporation	138	4.2%	31 440 265	36.8%
Pension, Provident, Retirement and Other Funds	226	6.8%	17 845 294	20.8%
Private company	105	3.2%	22 795 406	26.6%
Public company	36	1.1%	2 309 673	2.7%
Trust	220	6.7%	2 060 072	2.4%
	3 308	100.0%	85 620 648	100.0%

Shareholdings greater than 5%

	2022	2021
Southern African Clothing and Textile Workers Union	26.0	26.7
Chearsley Investments Proprietary Limited	7.6	7.6
Squirewood Investments 64 Proprietary Limited*	5.3	5.3
	38.9	39.6

* *Treasury shares*

Shareholder spread

	Percentage held		Number of shareholders	
	2022	2021	2022	2021
Public	59.4	58.7	3 297	3 141
Non public	40.6	41.3	11	11
Directors	7.9	7.9	4	4
Associates of directors	1.1	1.1	3	3
Significant shareholder	26.0	26.7	1	1
Share trust	0.2	0.2	1	1
Treasury shares	5.4	5.4	2	2
	100.0	100.0	3 308	3 152

Stock exchange performance	31 March 2022
Total number of shares traded ('000)	13 122
Total value of shares traded (R'000)	1 049 758
Market price (cents per share)	
- High	12 767
- Low	4 731
- Closing	11 800
Market capitalisation (R'000)	9 542 677

SUMMARISED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

SUMMARISED STATEMENT OF FINANCIAL POSITION

	31 March 2022 R'000	31 March 2021* R'000
ASSETS		
Non-current assets	40 858 036	40 424 198
Property plant and equipment	16 046 945	16 610 166
Right-of-use assets	324 184	353 250
Investment properties	5 067 831	5 381 333
Goodwill	3 868 505	3 872 534
Investments in associates and joint arrangements	4 458 953	3 573 978
Other financial assets	1 089 791	1 031 565
Intangible assets	9 576 591	9 177 953
Deferred taxation	333 566	340 893
Other	91 670	82 526
Current assets	6 216 240	5 340 741
Inventories	899 661	620 913
Programme rights	978 651	1 074 631
Other financial assets	92 963	-
Trade and other receivables	1 842 038	1 765 538
Taxation	93 340	117 778
Bank balances and deposits	2 309 587	1 761 881
Disposal group assets held for sale	147 240	188 221
Total assets	47 221 516	45 953 160
EQUITY AND LIABILITIES		
Equity	22 827 423	19 524 296
Equity attributable to equity holders of the parent	14 320 224	12 063 264
Non-controlling interest	8 507 199	7 461 032
Non-current liabilities	17 526 260	19 242 636
Deferred taxation	4 687 525	4 578 055
Borrowings	11 974 360	13 665 381
Lease liabilities	399 063	410 047
Provisions	72 431	70 604
Other	392 881	518 549
Current liabilities	6 866 068	7 168 563
Trade and other payables	2 709 143	2 520 716
Current portion of borrowings	3 586 404	3 919 533
Taxation	44 045	50 374
Provisions	188 071	169 539
Bank overdrafts	273 108	420 611
Other	65 297	87 790
Disposal group liabilities held for sale	1 765	17 665
Total equity and liabilities	47 221 516	45 953 160
Net asset carrying value per share (cents)	17 786	14 917

** Restated for purchase price allocation of hotels*

SUMMARISED STATEMENT OF PROFIT OR LOSS

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

** Restated for purchase price allocation of hotels*

SUMMARISED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

RECONCILIATION OF HEADLINE EARNINGS

	% change	Year ended 31 March 2022 Gross R'000	Year ended 31 March 2022 Net* R'000	Year ended 31 March 2021** Gross R'000	Year ended 31 March 2021** Net R'000
Earnings/(losses) attributable to equity holders of the parent	303.2%		2 078 572		(1 023 062)
Impairment of goodwill		4 247	3 491	30 156	13 605
Gains on disposal of property		(10 762)	(4 087)	-	-
Gains on disposal of plant and equipment		(7 095)	(3 005)	(33 722)	(13 354)
Impairment of property, plant and equipment		23 489	14 146	41 604	24 108
Foreign currency translation and hedging reserves recycled		-	-	(80 935)	(80 935)
(Gains)/losses from disposal of subsidiaries		(38 603)	(38 603)	1 824 931	1 796 362
Gains on disposal and dilution of interests in associates and joint arrangements		(138 557)	(138 557)	(540 715)	(338 276)
Foreign currency translation and hedging reserves recycled on disposal and dilution of interests in associates and joint arrangements		1 277	1 277	-	-
(Impairment reversal)/impairment of associates and joint arrangements		(756 929)	(696 929)	3 001 954	2 786 564
Reversal of impairment of assets		(630 246)	(233 495)	(208 739)	(74 808)
Losses on disposal of intangible assets		9	8	-	-
Impairment of intangible assets		193 220	70 306	3 090	2 286
(Gains)/losses on disposal of investment properties		(5 526)	(4 286)	350	240
Fair value adjustments on investment properties		26 593	15 392	35 840	13 819
Insurance claims for capital assets		(22 698)	(8 812)	(8 656)	(5 122)
Remeasurements included in equity-accounted earnings of associates and joint arrangements		13 698	13 104	(3 139 829)	(2 868 730)
Headline earnings	359.2%		1 068 522		232 697

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

	% change	Year ended 31 March 2022 Gross R'000	Year ended 31 March 2022 Net* R'000	Year ended 31 March 2021** Gross R'000	Year ended 31 March 2021** Net R'000
Basic earnings/(losses) per share (cents)					
Earnings/(losses)	303.2%		2 570.26		(1 265.07)
Continuing operations			2 578.12		985.62
Discontinued operations			(7.86)		(2 250.69)
Headline earnings per share (cents)	359.2%		1 321.28		287.74
Continuing operations			1 321.38		609.56
Discontinued operations			(0.10)		(321.82)
Weighted average number of shares in issue ('000)			80 870		80 870
Actual number of shares in issue at the end of the year (net of treasury shares) ('000)			80 870		80 870
Diluted earnings/(losses) per share (cents)					
Earnings/(losses)	303.0%		2 568.01		(1 265.07)
Continuing operations			2 575.86		985.62
Discontinued operations			(7.85)		(2 250.69)
Headline earnings per share (cents)	358.8%		1 320.12		287.74
Continuing operations			1 320.22		609.56
Discontinued operations			(0.10)		(321.82)
Weighted average number of shares in issue ('000)			80 941		80 870

* *Includes impact of change in corporate tax rate*

** *Restated for purchase price allocation of hotels*

SUMMARISED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

SUMMARISED STATEMENT OF OTHER COMPREHENSIVE INCOME

	31 March 2022 R'000	31 March 2021* R'000
Profit/(loss) foss for the year	3 202 222	(982 420)
Other comprehensive (loss)/income net of tax:		
Items that will subsequently be reclassified to profit or loss		
Foreign currency translation differences	(66 555)	(761 953)
Reclassification of foreign currency translation differences on disposal of subsidiaries	-	(225 805)
Cash flow hedge reserve	136 278	(76 221)
Reclassification of cash flow hedge reserve on disposal of subsidiaries	-	45 002
Share of other comprehensive income/(losses) of equity-accounted investments	21 154	(4 031)
Reclassification of equity-accounted foreign currency translation and hedging reserves on disposal and dilution of interests in associates and joint arrangements	1 277	-
Items that will not subsequently be reclassified to profit or loss		
Revaluation of owner-occupied land and buildings on transfer to investment properties	-	26 497
Actuarial gains/(losses) on post-employment benefit assets and liabilities	6 333	(5 330)
Fair value adjustments on equity instruments designated at fair value through other comprehensive income	139 844	(294 844)
Share of other comprehensive (losses)/ income of equity-accounted investments	(355)	8 797
Total comprehensive profit/(loss)	3 440 198	(2 270 308)
Attributable to:		
- Equity holders of the parent	2 179 540	(1 858 909)
- Non-controlling interest	1 260 658	(411 399)
	3 440 198	(2 270 308)

** Restated for purchase price allocation of hotels*

SUMMARISED STATEMENT OF CHANGES IN EQUITY

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

SUMMARISED STATEMENT OF CASH FLOWS

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

SUMMARISED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

SEGMENTAL ANALYSIS

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

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

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

The group's revenue disaggregated by primary geographical markets is as follows:

	South Africa R'000	Other African countries and Middle East R'000	Europe and United Kingdom R'000	Total R'000
31 March 2022				
Media and broadcasting	3 190 608	-	-	3 190 608
Gaming	942 471	-	-	942 471
Transport	2 078 729	-	-	2 078 729
Properties	167 858	-	-	167 858
Coal mining	1 448 010	-	-	1 448 010
Branded products and manufacturing	2 776 395	46 763	37 143	2 860 301
Other	22 644	-	-	22 644
Total	10 626 715	46 763	37 143	10 710 621
31 March 2021				
Media and broadcasting	2 428 959	-	-	2 428 959
Gaming	381 096	-	-	381 096
Transport	1 640 563	-	-	1 640 563
Properties	131 996	-	-	131 996
Coal mining	1 136 594	-	-	1 136 594
Branded products and manufacturing	2 348 517	46 437	59 799	2 454 753
Other	17 134	-	-	17 134
Total	8 084 859	46 437	59 799	8 191 095

SEGMENTAL ANALYSIS (Continued)

The group's revenue disaggregated by pattern of revenue recognition is as follows:

	Revenue recognised over time R'000	Revenue recognised at a point in time R'000	Total R'000
31 March 2022			
Provision of services			
Media and broadcasting	2 949 970	-	2 949 970
Gaming	577 580	364 891	942 471
Transport	1 716 699	333 399	2 050 098
Properties	136 556	31 302	167 858
Other	22 644	-	22 644
Sale of goods			
Media and broadcasting	-	240 638	240 638
Transport	-	28 631	28 631
Coal mining	-	1 448 010	1 448 010
Branded products and manufacturing	65 417	2 794 884	2 860 301
	5 468 866	5 241 755	10 710 621
31 March 2021			
Provision of services	2 226 201	-	2 226 201
Media and broadcasting	239 921	141 175	381 096
Gaming	1 478 211	162 029	1 640 240
Transport	128 253	3 743	131 996
Properties	17 134	-	17 134
Other			
Sale of goods	-	202 758	202 758
Transport	-	323	323
Coal mining	-	1 136 594	1 136 594
Branded products and manufacturing	54 780	2 399 973	2 454 753
	4 144 500	4 046 595	8 191 095

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

These financial statements were prepared under the supervision of the financial director, Mr JR Nicolella CA(SA).

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

The company is currently in compliance with its debt covenants in respect of central borrowings. Forecast dividends from the group's gaming operations are expected to recover and management expects debt service obligations on central borrowings to be complied with for the foreseeable future.

The group's funders at the centre and at the relevant subsidiaries have remained supportive and, inter alia, agreed to the following measures:

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

In preparing the cash flow forecasts utilised to assess going concern, the impact of the COVID-19 pandemic on the group's operations and liquidity was considered to the extent reasonably possible. The company has assessed the cash flow forecasts together with the other actions taken or proposed and is of the view that the group has sufficient liquidity to meet its obligations as currently foreseen in the foreseeable future.

As the situation continues to evolve with changes in governmental regulations and evolving business and consumer reactions thereto, as at the date of these results, the directors of the company considered that the further future financial effects of COVID-19 on the group's consolidated financial statements cannot be reasonably estimated.

RESTATEMENT OF PRIOR-YEAR RESULTS

As reported previously, the group lost control of Tsogo Sun Hotels ("TSH") during December 2020, resulting in the group being deemed to have disposed of its interest in TSH and acquiring an associate interest in same for which the purchase price allocation was provisional. The recognition of the excess of the group's share of the net fair value of TSH's identifiable assets and liabilities acquired over the cost of its investment has now been finalised. The group has restated its prior-year results as follows:

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

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

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

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

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

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

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

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

FAIR VALUE MEASUREMENT

Investment properties

Gaming

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

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

Properties

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

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

Branded products and manufacturing

Downward fair value adjustments to investment properties relating to branded products and manufacturing amounted to R17 million in the current year. The fair values were determined by independent valuers using the income capitalisation method. The significant unobservable inputs were as follows:

- capitalisation rate of 8.0% – 9.8%;
- vacancy rate of 0% – 6%; and
- rental income and operating expenses were determined based on contractual and budgeted amounts for individual properties.

Financial asset at fair value through other comprehensive income

The group has a 20% equity interest in each of SunWest International Proprietary Limited ("SunWest") and Worcester Casino Proprietary Limited ("Worcester"). The group has pre-emptive rights but no representation on the board of directors of either company and has no operational responsibilities. The group also has no access to any information regarding the companies except for that to which it has statutory rights as a shareholder. These investments are classified as level 3 fair value measurements and have been accounted for as financial assets at fair value through other comprehensive income. At the end of each reporting period the investment is remeasured and the increase or decrease recognised in other comprehensive income.

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

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

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

IMPAIRMENTS AND IMPAIRMENT REVERSALS

Intangible assets

Impairment reversals of R630 million are in respect of casino licences relating to the group's gaming operations. Following the impairment of certain casino licences in the 2020 financial year and the ongoing impact of COVID-19 on trade, the carrying amounts of casino licences were tested for impairment. Discounted cash flow valuations were utilised for this purpose.

Due to the better than previously forecasted performance of certain casino precincts, the group recognised the following impairment reversals, per casino precinct:

	R'million
Montecasino	336
Silverstar	142
Gold Reef	152
Total	630

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

	R'million
The Ridge	79
Emnotweni	107
Total	186

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

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

Investments in associates and joint ventures

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

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

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

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

BUSINESS COMBINATIONS AND DISPOSALS

Transport

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

Properties

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

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

DISCONTINUED OPERATIONS AND DISPOSAL GROUPS HELD FOR SALE

Media and broadcasting

The results of certain non-core local and offshore operations in the media and broadcasting segment are included in discontinued operations in the current and prior years. Disposal group assets of R5 million and liabilities of R2 million relate to these operations (2021: R10 million and R8 million, respectively).

Gaming

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

Hotels

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

Branded products and manufacturing

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

Properties

Land with a carrying value of R20 million and a sectional title property with a carrying value of R33 million await sale. The results of discontinued operations were as follows:

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

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)

RESULTS

GROUP STATEMENT OF PROFIT OR LOSS AND SEGMENTAL ANALYSIS

Income increased by 36% to R19 130 million

EBITDA increased by 62% to R5 023 million

Profit before tax R3 925 million

Headline profit R1 069 million

Headline profit per share 1 321 cents

Media and broadcasting

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

Gaming

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

Hotels

The performance of hotel operations during the current year, as included in the group's results, is not comparable to the prior year. Due to the deemed disposal of the group's interest in December 2020, these operations' results were consolidated and included in discontinued operations by the group for the first nine months of the prior year and equity accounted for the remaining three months and in the current year.

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

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

Transport

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

Properties

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

Coal mining

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

Branded products and manufacturing

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

Oil and gas prospecting

During the prior year IOG completed a transaction with Africa Energy Corp. (“Africa Energy”), a company listed on the TSX Venture Exchange in Toronto and the Nasdaq First North Growth Market in Stockholm, for the sale of its indirect interest in the Block 11B/12B exploration right, offshore South Africa. As a consequence of that transaction IOG recognised a fair value adjustment on the loan structure sold, of which R306 million was effectively included in the share of profits of associates and joint arrangements recognised by the group in the prior year. During the current year Africa Energy (currently 36.4% held by IOG) recognised a fair value adjustment on the loan structure, of which R73 million was effectively included in the group’s share of profits of associates and joint arrangements and headline earnings.

Palladium prospecting

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

Other

EBITDA losses were on par with the prior year, with no significant non-recurring items, the increase in losses occasioned by inflationary increases and the normalisation of salaries in certain businesses since the prior year. Profit before tax in the prior year decreased by R205 million to a loss in the current year. Included in profit before tax in the prior year was R19 million in interest and a R219 million gain on settlement of arbitration proceedings in respect of the finance arrangements with Ithuba Holdings, the current National Lottery operator and a fair value gain on Montauk Renewables Inc. of R130 million. Head office finance costs decreased from R239 million to R208 million and an investment surplus on disposal and dilution of the group’s interest in Platinum Group Metals (“PGM”) of R137 million was recognised in the current year. Equity losses in respect of Karoshoek increased by R7 million to R22 million. Included in the current year’s headline loss is R208 million head office finance costs, the aforementioned losses from Karoshoek, R12 million in equity-accounted losses from Alphawave Golf, losses of R22 million relating to the group’s internal audit function and the remainder being head office and other overheads of the company and La Concorde Holdings.

Notable items on the consolidated income statement include:

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

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

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

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

R10 million in fair value gains on investment properties were recognised by the group’s gaming operations, downward adjustments of R17 million by branded products

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)

and manufacturing operations and a net amount of R19 million in downward fair value adjustments by the group's properties division.

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

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

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

GROUP STATEMENT OF FINANCIAL POSITION

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

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

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

SHAREHOLDERS' DIARY

Financial year-end	31 March 2022
Annual general meeting	29 August 2022
Reports	
- Preliminary report	May
- Interim report at 30 September	November
- Annual financial statements	July

CORPORATE ADMINISTRATION

COMPANY REGISTRATION NUMBER	1973/007111/06
SHARE CODE:	HCI ISIN: ZAE000003257
REGISTERED OFFICE:	Suite 801, 76 Regent Road, Sea Point, Cape Town 8005 PO Box 5251, Cape Town, 8000 Telephone: 021 481 7560
WEBSITE ADDRESS:	www.hci.co.za
COMPANY SECRETARY:	HCI Managerial Services Proprietary Limited
DIRECTORS:	Executive Directors John Anthony Copelyn (Chief Executive Officer) Theventheran Govindsamy Govender (Kevin) James Robert Nicolella (Financial Director) Yunis Shaik Independent Non-Executive Directors Mohamed Haroun Ahmed Mimi Freddie Magugu Velaphi Elias Mphande (Chairperson) Jabulani Geffrey Ngcobo Rachel Doreen Watson Non-Executive Directors Laurelle McDonald Sinqumile Nqobani Njongwe Mkhwanazi-Sigege
AUDITORS:	BDO South Africa Incorporated Wanderers Office Park, 52 Corlett Drive, Illovo, 2196 Private Bag X10046, Sandton, 2146
BANKERS:	First National Bank of Southern Africa Limited
TRANSFER SECRETARIES:	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 South Africa Private Bag X9000, Saxonwold, 2132
SPONSOR:	Investec Bank Limited 100 Grayston Drive, Sandton, Sandown, 2196

Hosken Consolidated Investments Limited

INTEGRATED ANNUAL REPORT

2022

VERNON JOHN DESIGN