



# INTEGRATED ANNUAL REPORT



Hosken Consolidated Investments Limited

# 2023

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# 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 2022 to 31 March 2023. 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 6 and 7 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 separate 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](http://www.deneb.co.za); [www.tsogosun.com](http://www.tsogosun.com); [www.frontiertransport.co.za](http://www.frontiertransport.co.za); [www.southernsun.com](http://www.southernsun.com); and [www.emediaholdings.co.za](http://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](http://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 2023. 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](mailto:cshapiro@hci.co.za) or The Company Secretary, P.O. Box 5251, Cape Town 8000.

Our annual financial statements for FY2023 are available online at [www.hci.co.za](http://www.hci.co.za)

## FORWARD-LOOKING STATEMENTS

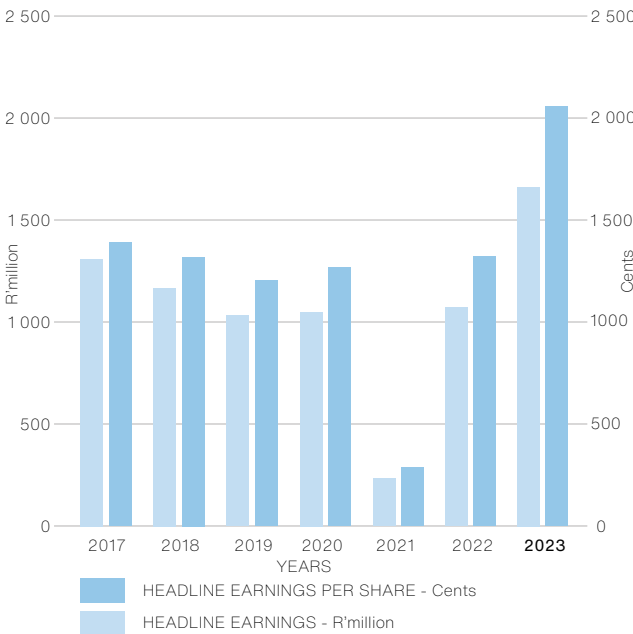
*This integrated annual report contains certain forward-looking statements which relate to the financial position and results of the operations of the group. These statements by their nature involve risk and uncertainty as they relate to events and depend on circumstances that may occur in the future.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

# FINANCIAL HIGHLIGHTS

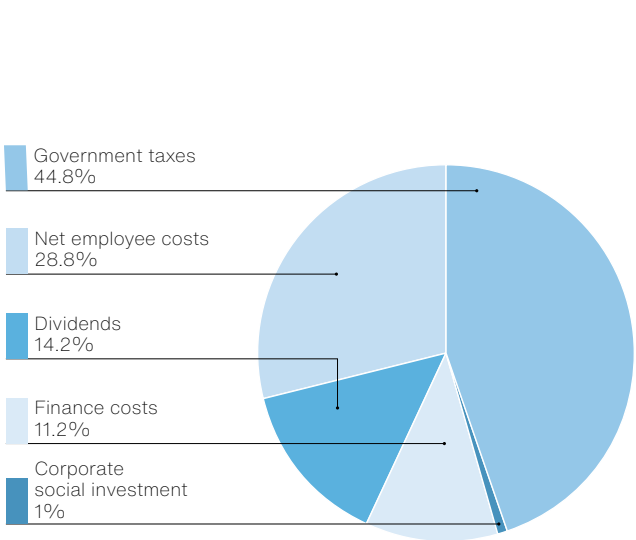
## TEN YEAR REVIEW

|                                                           | 2014    | 2015    | 2016    | 2017   | 2018   | 2019   | 2020    | 2021   | 2022   | 2023   |
|-----------------------------------------------------------|---------|---------|---------|--------|--------|--------|---------|--------|--------|--------|
| Shares in issue (net of treasury) - at year-end - million | 106 176 | 104 040 | 104 108 | 95 336 | 85 882 | 84 875 | 80 870  | 80 870 | 80 870 | 80 870 |
| Share price - high - cents                                | 15 543  | 18 068  | 16 460  | 15 000 | 16 299 | 15 650 | 10 000  | 7 250  | 12 767 | 20 600 |
| - low - cents                                             | 11 001  | 12 999  | 9 500   | 10 450 | 11 691 | 10 206 | 1 999   | 1 600  | 4 731  | 11 167 |
| - at year-end - cents                                     | 14 950  | 14 500  | 11 202  | 14 185 | 14 400 | 11 179 | 2 200   | 6 352  | 11 800 | 20 089 |
| Dividend per share - cents                                | 140     | 165     | 190     | 215    | 240    | 265    | 55      | 0      | 0      | 50     |
| Net asset carrying value per share - cents                | 11 391  | 14 390  | 15 887  | 17 897 | 17 785 | 19 043 | 15 269  | 14 917 | 17 708 | 22 466 |
| Headline earnings - million                               | 1 086   | 1 000   | 1 044   | 1 306  | 1 164  | 1 029  | 1 047   | 233    | 1 069  | 1 658  |
| Headline earnings per share - cents                       | 946     | 946     | 1 003   | 1 385  | 1 316  | 1 200  | 1 263   | 288    | 1 321  | 2 051  |
| Revenue (including net gaming win) - million              | 9 084   | 17 257  | 21 542  | 23 116 | 23 802 | 25 125 | 21 159  | 14 087 | 19 060 | 22 899 |
| EBITDA - million                                          | 1 652   | 4 108   | 5 749   | 6 535  | 6 286  | 6 589  | 5 590   | 3 094  | 5 010  | 5 639  |
| Profit/(Loss) after tax - million                         | 1 266   | 4 456   | 2 122   | 3 274  | 1 976  | 1 664  | (7 325) | (982)  | 3 202  | 5 079  |
| Value added statement - billion                           |         |         |         | 11.1   | 11.6   | 12.7   | 13.2    | 6      | 8.3    | 9.6    |
| B-BBEE certification - level                              | 2       | 2       | 3       | 2      | 2      | 2      | 2       | 3      | 2      | 2      |

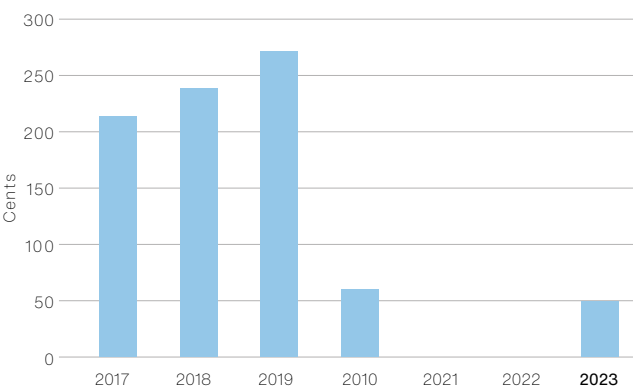
## HEADLINE EARNINGS



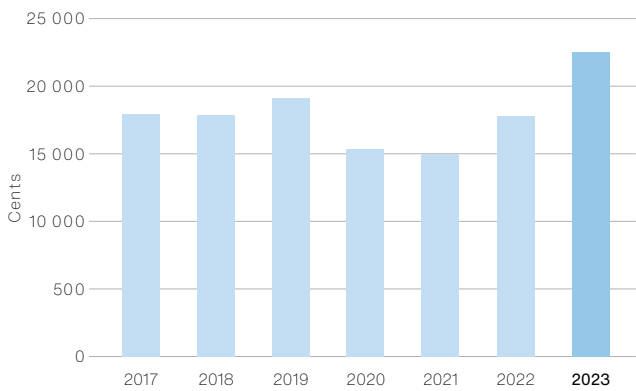
## VALUE ADDED STATEMENT 2023 : R9.6bn (2022 : R8.3bn)



## DIVIDEND PER SHARE



## NET ASSET CARRYING VALUE PER SHARE



OPERATING STRUCTURE

AS AT 31 MARCH 2023

LISTED COMPANIES

  
49.7%

  
80.3%

  
40.8% \*\*

  
82.1%

  
84.8%

  
24.8%

| Name of company                 | Number of shares held by HCI and its subsidiaries |
|---------------------------------|---------------------------------------------------|
| Frontier Transport Holdings     | 232 777 041                                       |
| eMedia Holdings Limited         | 355 816 436                                       |
| Southern Sun Limited**          | 598 155 475                                       |
| Tsogo Sun 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 (Pty) Ltd  
100%

  
HCI Properties (Division)  
100%

  
10.0%

  
49.9%

  
75.0%

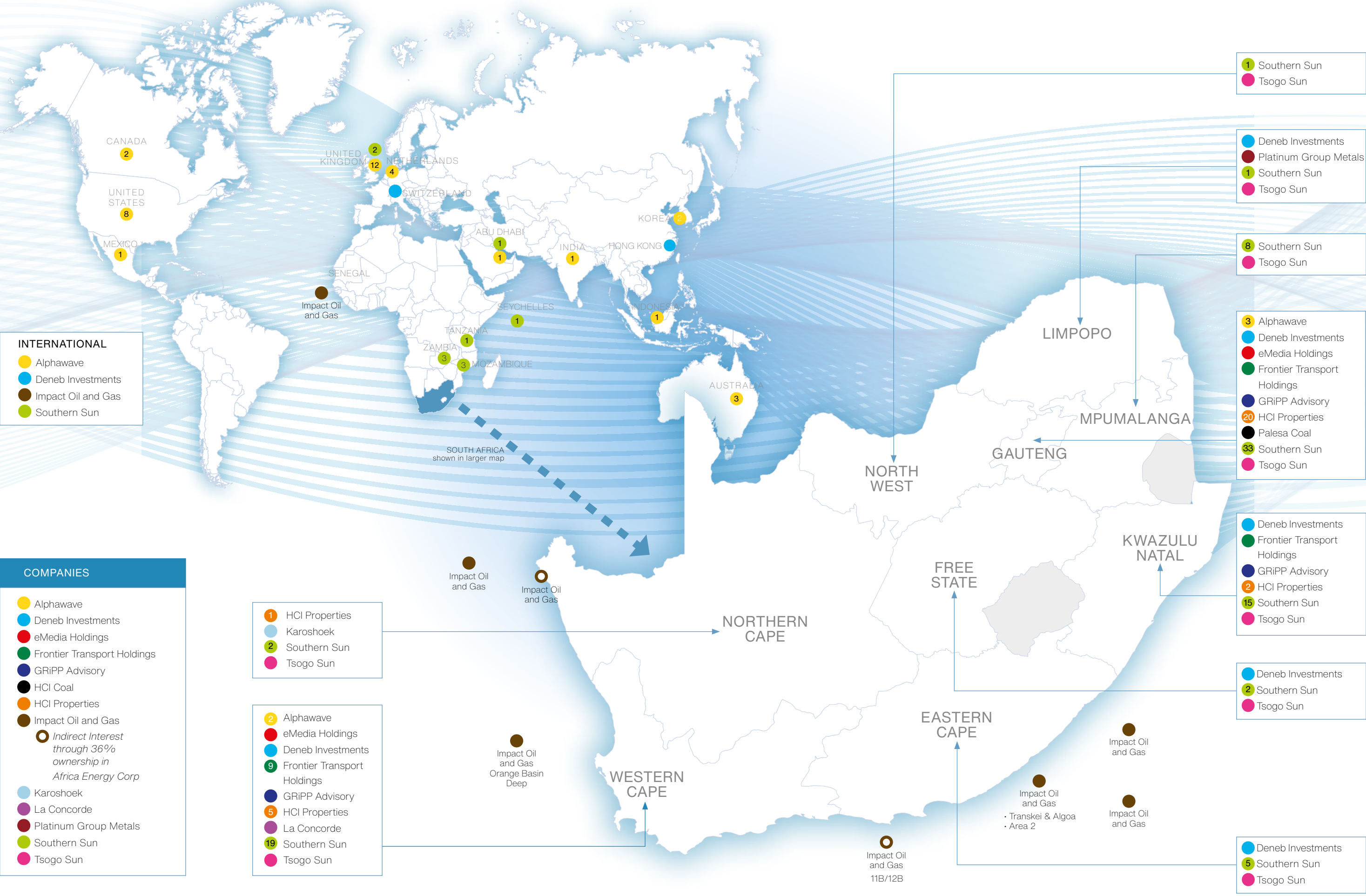
  
42.4%

  
89.6%

TRUST



GEOGRAPHICAL FOOTPRINT  
AS AT 26 JULY 2023



# LETTER TO SHAREHOLDERS



Financial 2023 has seen HCI produce the best results in its history, with headline earnings 41% improved on last year and its share price over R200 a share for the first time. The primary driver of this has been a general improvement in the performance of virtually all our businesses over the last two years.

## *eMedia:*

Litigation to avoid more than 25% of television households in the country being cut off from analogue broadcasts succeeded in preventing this entirely unnecessary development from being imposed. Happily, the new Minister of Communications has been more receptive to our suggested solution to the impasse created by his predecessor. He has accepted our proposal to free the use of that part of the spectrum auctioned to telcos for exclusive use for 5G- IMT services without insisting analogue television be simultaneously switched off. At the end of months of litigation with the previous minister, the department has finally agreed to accommodate free television by allowing it to retune analogue transmitters broadcasting above 694 MHz to frequencies below this cut off, enabling the two services to co-exist without interfering with each other. Practically, eTV can do this within a few weeks of being allocated alternative frequencies by ICASA as few of its transmitters are still affected, albeit they include major cities with large audience reach. It remains to be seen whether the proposed final switch-off of analogue TV, now proposed for the end of 2024, is achievable. eTV will work closely with the Department to try to shift analogue audiences to free digital platforms by that date, but the important thing is whether the state makes sufficient effort to succeed by this date, rather than repeating the same approach of doing very little, ignoring its failure, but insisting on imposing a switch-off that cuts millions of homes from accessing television.

Had the previous Minister assisted such homes getting access to Open View, instead of insisting only on the Post Office distributing old DTT boxes that had been

sitting in its warehouses for a decade, we could be much further along the road to ensuring millions more television households would have had access to free digital television by now. Nevertheless, we are grateful for small mercies and hope we can achieve a real solution that allows most people access to free TV, as was the case in the past.

The efforts of DSTV to remove four of our digital channels from their platform remains a major issue in the life of eMedia. DSTV used the opportunity of the proposed analogue switch- off, decided by the previous Minister, to shut down access to these channels for DSTV subscribers. The Competition Appeal court granted us an interdict restraining this effort by DSTV pending an investigation into our complaint that it represented an abuse of a dominant platform. Several months later the Competition Commission concluded there is no problem with DSTV's behaviour as the discontinuance did not affect the majority of the revenue of our business. This hardly seems an appropriate test to us. The fact that DSTV has about 9 million subscribers in a universe of 12 million homes that have access to a digital television platform makes us believe the platform is dominant. The channels were accepted by DSTV for several years on the basis that we would not charge for their non-exclusive availability on the platform but would retain advertising revenue associated with viewership of the channels (as is the current arrangement with DSTV in relation to it broadcasting eTV on its platform). By the time DSTV tried to remove these channels they earned us close to R200m a year and were amongst the most viewed channels on the DSTV platform.

The notion that DSTV is free to cut popular channels from a dominant platform for no significant reason, preventing the majority of television viewers in the country from seeing them and causing their owner to be deprived of significant advertising revenue, is not an acceptable way of managing such a platform. The Competition Commission blessing such conduct is most disappointing and is an invitation to similarly remove the eTV channel

at the end of the current contract leaving only the SABC channels which are protected by "must carry" legislation. In the circumstances, eMedia successfully applied for an extension of its interdict against DSTV removing the channels pending the Competition Tribunal making a ruling on the matter.

Apart from these difficult areas of obstruction, the primary challenge to audiences accessing free television over the last year has been load shedding. Obviously, many free television homes have been unable to view TV at normal times for lack of electricity. The consequence has been the fact that television advertising across the industry shrank 7%. Fortunately for us, our steadily increased share of audience allowed us to minimize this reduction of revenue to only 1%. eMedia remained with the largest share of television audiences at 34% and we hope to maintain this share into the future.

This year has seen us steadily growing our eVod platform as well as commencing a pay bouquet (eUltra) initially focused on two niche audience groups namely Indian and LGBTQ audiences. The group has also commenced the construction of VFX studios in Hyde Park which we believe will considerably improve the quality of productions for eMedia channels as well as be available for outside hire.

We also sold two small subsidiaries: the Refinery and Moonlighting.

## *Tsogo Sun ("TS"):*

The company performed well. It earned about R4 billion in EBITDA, as well as reducing its debt levels to R8 billion, thereby achieving its stated ambition of reducing its debt to double its EBITDA.

TS purchased the Emerald Casino on the Vaal River and is in the process of rapidly improving its viability. We have every expectation this casino will continue to improve significantly over the coming year as it has been a long-neglected asset very much in need of a facelift.

The company has also moved more heavily into the online gaming industry. It is of course late to arrive in this space and has much catch- up work to do. Nevertheless, TS has begun the process after buying out minorities from Betcoza and starting its own Play Tsogo site. It is early days to predict the extent of the growth or otherwise of these businesses, but their success is undoubtedly a key metric for the future of TS as a whole.

Likewise, the company has purchased an additional LPM site in Mpumalanga and also finally succeeded in regularizing its move of the Marco Polo Bingo site despite the persistent efforts of its past landlord to prevent this.

TS reached agreement with Southern Sun Hotels to take back the management of several of its hotels on casino properties and will accordingly build a capacity to operate in the hotel management space at these hotels.

The industry has been under the shadow of new extensive proposed legislative prohibitions on smoking. As the complexity of the legislative process unfolds, it seems doubtful that it will be concluded before the end of the current Parliamentary session. It now looks far less likely to affect the industry until financial 2027 at the earliest.

## *Southern Sun Hotels:*

It is with great relief we are able to report that the biggest turn- around in our company over the last twelve months has been our hotel associate. Essentially, the hotel group was hit the hardest during the covid pandemic as travel slowed to a trickle. The sector is now back in full swing with occupancies approaching pre-pandemic levels.

The group has emerged from this difficult period having sold its hotel in Nigeria and one of its hotels in the Seychelles. It likewise allowed TS to buy out its management contract over various casino hotels. In exchange, it has reduced its debt from over R3 billion at the height of the pandemic to less than R1.4 billion at year end. While we supported the company not paying dividends this year in order to avoid it immediately taking on more debt again, we are confident that it will be able to recommence doing so from next year.

## *HCI Coal:*

HCI was unable to raise debt funding for HCI Coal. We are pleased to report, however that we were able to find the R120 million needed for a new air plant at our Palesa mine from our own resources, despite the pressures we have been under.

This investment has allowed us to produce coal of a very much better quality than in the past, with markedly reduced levels of ash and sulphur. The plant requires only a small fraction of the water used by our previous wash methodology which has significant benefits both environmentally and operationally.

The result has been most dramatic. We are contracted to supply coal to the Kusile power station. During the year a chimney at this station collapsed. In consequence it shut down two of its six units, leaving it with only one unit that is currently functioning. Instead of being badly hurt by the restriction of its need for coal we have been able to supply various other Eskom plants which require better quality coal. Further we were even able to take advantage of the significant run on the price of export coal by producing coal of an RB3 export quality albeit with a low yield.

All in all, this has been by far the most profitable year for our coal division which outperformed its budget by a full R120 million, effectively allowing for the recovery of the cost of the air plant in a single year. More importantly, it has allowed us to supply users of coal with a far cleaner product.

# LETTER TO SHAREHOLDERS (Continued)

## *Frontier Transport ("FT"):*

The bus company has continued to meet two key challenges. The first is to ensure its wage costs do not escalate faster than those of its competitors. For a number of years we have reported on the company's resistance to the conniving of its competitors with the union to impose a penalty on it for the fact that historically it has paid wages far higher than its competitors. The technique used to impose this pressure has been the indiscriminate use of a clause in wage agreements known as the "across the board" or ATB clause. Effectively it requires those paying a premium to minimum wages to maintain the same percentage such premiums are of minimum wages as the latter are increased. In a business where routes are expected to be put out to tender solely on the basis of operational costs, with the city providing the buses and ticketing infrastructure, such premiums will ultimately ensure the company is the least competitive bidder.

To protect against this, the company has resisted the imposition of the ATB clause in bargaining council agreements. After several years of litigation over the inequity of the clause and the way it is implemented, the company has finally made some progress. It succeeded on appeal in getting an exemption from the clause in respect of one year and had the extension of the agreement to non- parties set aside in the next.

The company has instead paid increases to all staff equal to the amount that their applicable minimum wage was increased or an amount equal to the percentage increase in the cost of living, whichever was the greater. This challenge unfortunately remains ongoing as neither the company's competitors nor the union appear interested in amending their conduct.

Equally challenging, but potentially more important going forward, is the decision of FT to transform its fleet from diesel to electric buses.

This decision is not simply about which bus to buy. On the contrary, it is a commitment to developing the right skills within its labour force to be able to maintain these buses and commissioning a new plant to assemble such buses locally.

As desirable as this change is from a number of different points of view, it has to be done cautiously in view of the tremendous instability of the country's electric grid at present. If one is unable to recharge the batteries of electric buses daily, the fleet will be totally stranded the following day. As a result, FT can only move its transformation as fast as it can ensure access to electricity. To this end, the company has moved to greatly increase its access to self-generated solar power. FT is confident that it will thereby be able to charge up to 120 electric buses as it plans to roll out over the next two years.

In the meantime, the company has yet to persuade the

city to complete the homologation process of the test buses it has acquired, despite nine months of testing them with sandbags instead of passengers. Despite the difficulties, however, we see this is a necessity for the long-term future of the business and are determined to encourage an urgent start.

## *Deneb:*

The company has performed fairly well. Manufacturing operations have been hit by difficulties associated with load shedding which, unsurprisingly, have pushed up production costs. Likewise, the fact that OEMs in the motor assembly industry were significantly affected by load shedding created its own difficulties for Formex as a component supplier. Nevertheless, a number of businesses within Deneb have done extraordinarily well. These include Romatex, Polypropylene Bags as well as Butterfly Products.

Seartec continues its path towards being EBITDA positive as its new model of simply renting out photocopiers on a monthly basis grows each month. Despite its rapid growth it still supplies only a tiny fraction of the market, leaving lots of space to continue growing for many years. Our hope is that the coming year will see it breaking even after depreciation and that it will thereafter grow into a substantially profitable business.

Deneb has also invested significantly in Formex by buying a new property and installing new presses in it. These presses are much heavier than those previously in use in Formex and will provide the means for Formex to move to supplying much larger pressed parts. This in turn will allow it to grow into the world of providing parts needed for electric vehicles which is undoubtedly the future of the industry.

## *Karoshhoek Concentrated Solar Plant:*

This investment was an unusual one for HCI in that we have only a 10% stake in the business. Nevertheless, we thought it was an important project to encourage as it was a concentrated solar power plant with the capacity to store solar electricity for several hours, allowing it to provide electricity during peak periods of demand and not just when the sun is shining.

The plant has now been operating for a number of years with various degrees of success. We have learnt an enormous amount from the experience but play a very small part in its future success, being such a small shareholder and having no real influence on its operation.

In the circumstances, we have decided to sell our stake and move on with businesses in which we can play a more active role. Subsequent to year-end, we entered into a sale agreement for our interest in the business with an active insider in the Karoshhoek project for R350m. His knowledge of the business substantially simplified the warranties required and we hope the suspensive conditions for this sale will shortly be fulfilled.

## *Impact Oil and Gas ("IOG"):*

The current value of our interest in this exploration vehicle is centred in IOG's approximately 20% stake in two deep sea blocks off the southern Namibian coast known as "Venus". Last year we reported on the significance of the discovery that was made there in February 2022. This year, the operator Total Energies is busy with a significant appraisal programme there. Currently the programme is to drill and test three new wells, in addition to re-entering the original well to test oil flows from it. Although it is too early to comment on the progress of the appraisal wells - and the operator has released limited public information on the results of the first of the three wells which it has drilled - the results will be available fairly soon as all planned drilling and testing is expected to be completed by November 2023. The importance attached to Venus by Total is obvious from the fact it has committed more than 50% of its global 2023 exploration budget to this appraisal programme. Its CEO Patrick Pouyanne has stated further that Total believes "it may be at the helm of a new golden block".

As stated in our report last year the development costs of blocks like this are way beyond the funding capacity of HCI and it is virtually impossible for HCI to remain with an effective 10% interest in them. Our partners in IOG are in no different a position. This year HCI has already funded IOG with 50% of its US\$130 million budget and we fully expect this to be increased by a further US\$35 million call if the second appraisal well is a success. IOG has accordingly initiated a process to sell down its interest in the blocks which we expect will gather steam as soon as the appraisal results of the planned wells are known.

The second asset of some value in IOG is its 36.5% stake in Africa Energy Corporation. This stake was acquired by swapping its interest in the funding of drilling the discovery well in Block 11B/12B offshore Mossel Bay. A commercially viable gas find was made 180Kms offshore there. The operator is again Total Energies. It has applied for a production right there which is expected to be granted by the end of the year.

We believe a key to the future of this block is whether a new 1,2GW dual cycle gas fired power station can be developed in Mossel Bay, supplied directly from gas from this discovery. The direct use of gas without the need to liquify it offers an amazing opportunity for generating cheap base electricity sorely needed in the country. Emissions from such a power station are less than a third of those of coal fired plants for the same amount of electricity generated and the expected down time for production stoppages are miniscule relative to the current record of Eskom coal plants.

Furthermore, the provision of such electricity will provide sufficient stability in the transmission of electricity to facilitate the transmission of a similar amount of power

generated from much more volatile wind and solar sources. There is much work to be done to make this possibility a reality, including the strengthening of the transmission grid from Mossel Bay to maximize its potential.

The additional exploration assets of IOG, which are essentially exploration rights in deep sea blocks around the coast of South Africa, are at a much earlier stage. There is substantial litigation opposing such exploration work. The President of the country has been particularly evasive as to whether he supports such work or not and it is unclear whether this will completely inhibit South Africa developing its own oil resources despite the obvious prospectivity of the blocks concerned. Such inhibition will of course oblige the country to continue to import its requirements at close to double the cost per barrel to the country. We say this because total taxes on such oil production are roughly half the cost of the product. Whether such importation will actually reduce the quantity of oil we consume or simply continue to be the major drain on the country's foreign exchange remains to be seen but the litigation inhibiting development of local resources will preoccupy all parties involved for the coming year and more, irrespective of the answer to that question.

## *Platinum Metal Group:*

Our stake in this Canadian listed counter remains around 25% and HCI remains its largest single shareholder. The company is engaged in a number of work streams all of which need to come together to allow a construction decision to be made for the development of a mine at the Waterberg Project.

These include finalizing agreements with two local communities for the lease of surface rights on which to build the surface developments associated with the mine. This work is going well, and we believe will be closed before the end of the year to everyone's satisfaction.

Secondly, the partnership has been doing additional work on updating the feasibility plans for the project. This has involved additional drilling, the results of which have been published by the company and add to the extent of the measured resource which is already a proven world class deposit. The costings, including improvements to the design of the construction of the mine, as well as the value of the basket of elements in the ore body, are being updated. We are satisfied that the basic premise that this will be an exceptionally low-cost mine when measured against its peers will remain unchallenged.

Thirdly, there is activity to raise funding for the project if it is a "go". This involves selling a life- of- mine stream of an element of its production for cash; raising debt, and determining the balance that is required by way of an equity fund raise. This likewise is expected to be something that can be resolved satisfactorily by the end of the year if need be.

# LETTER TO SHAREHOLDERS (Continued)

The last area that needs to be resolved is the offtake arrangements for the product of the mine. Essentially, the mine will provide concentrate which requires smelting to achieve a saleable matt product. There are several intense discussions around how this can best be done and it remains the most complex of issues to resolve. We continue to hope however that by the end of the year we will have a better indication of how this aspect can best be resolved.

There is a further business in PTM that we hope will grow in value over time. For anyone engaged in issues around global warming and practical alternatives to dependence on fossil fuels for the world's growing energy needs, there is little doubt that progress is highly dependent on the development of improved technologies for storing electricity efficiently. In general, this puts improvements in battery technology front and centre of desperately needed technological advances.

Given their considerably higher energy density, Lithium Oxygen and Lithium Sulphur batteries can perform better, by orders of magnitude, than the best-in-class Lithium-ion batteries currently on the market or under development. This new generation of lightweight, powerful batteries has the potential to grow to scale on the back of the attractiveness of battery electric vehicles and the use of lithium batteries in other applications beyond mobility.

PTM, in partnership with Anglo American Platinum Limited, has focused on these new technologies together with a research institute at the Florida International University. The business is called Lion Battery Technologies Inc ("Lion"). It remains early days, but already there have been a number of important patented advances made. Lion is currently working on several additional and complementary opportunities focused on developing next-generation battery technology using platinum and palladium coatings as catalysts.

The solutions offered by these developments are probably 3-5 years from being potentially commercially available but they remain a key prospect for greatly increasing the efficiency of batteries.

## *Properties:*

Our property division has grown steadily over the years. It started with us focusing on developing greenfield, or at least brownfield opportunities across a wide range of property classes, including inner city rented accommodation; offices; shopping centres; warehousing; conferencing facilities and combinations thereof. Each such property was initially heavily geared, typically to 70% loan to value with shareholder guarantees behind the loan. We built a portfolio of rental assets with a gross value of around R3 billion in partnership with a number of developers.

Probably greatly accelerated by the effects of covid on the business, which badly affected all classes of tenants, we came to recognize it was time to lower the level of gearing in the portfolio as well as focus much more of

our efforts on managing existing properties, rather than acquiring new ones. Our development programme over the last year has in consequence primarily been limited to phase three of the Whale Coast Shopping Mall at Hermanus and the extension of a shopping centre in Paarl which were both pre-let before we commenced building.

The level of vacancies has been well managed and has steadily declined across the portfolio over the last year. Likewise, our loan to value ratio has declined and now sits at about 52%. The business has picked up in profitability and is likely to continue to do so with the revival of our conference centre Gallagher Estates which, like hotels, was amongst the worst hit businesses through covid but is happily back to pre-covid levels of occupancy.

We have taken the opportunity to dispose of a few properties, including a developed house on the Steenberg estate, vacant land next to the Gallagher Convention Centre, a section of Solly Sachs house which is occupied by SACTWU as its regional office in Gauteng and a property at Auckland Park which we had acquired with a view to building student accommodation.

Unquestionably, we need to continue reducing the level of debt in the portfolio over the next few years until the business is a free standing one, supported by its own balance sheet, but we are pleased to have built such a valuable and vibrant portfolio as well as a strong team of managers to run it in the relatively short time in which this was done.

## *Smaller Businesses:*

We sold our interest in Business Systems Group ("BSG") back to the company for R68.5 million which we thought of as a fair price. We paid R3 million to acquire the stake and have received multiples of that amount in dividends through the years. Admittedly, we held the stake for twenty years. The company subsequently placed the shares with another BEE partner active in the IT consulting space and so, hopefully, we both did well out of the shareholder changes and BSG will continue to thrive.

Inrange Golf continues to open new sites. It currently has 33 sites and expects to have another 9 operating in the immediate future. It is expected to continue this roll-out. It has a further 8 sites signed up and is in negotiation with another 15. Its EBITDA loss last year was R15.5 million for the year. We hope the cumulative contribution of operating sites and new ones being rolled out will allow the company to become EBITDA positive next year.

GRiPP is slowly gaining traction with outside companies and should be at the end of its loss making start-up phase.

## *HCI Foundation:*

The HCI Foundation continues to do us proud. Its work covers extraordinary areas of help to communities such as a programme in collaboration with Grace Vision in the Eastern Cape to screen for eye conditions and visual

problems. The consequences have included free surgery to remove almost 200 cataracts down to thousands receiving glasses to correct poor vision.

Its main areas of focus over the last year have been the following:

- Clean water programmes to provide potable water to rural communities in collaboration with Innovation Africa;
- Sustainable food programmes in which it has collaborated with a number of partner NGOs to encourage vegetable growing in several rural communities;
- Community transport programme in collaboration with GABS to provide transport to 108 NGOs in Cape Town needing assistance in transporting people on various outings around Cape Town;
- ECD education programmes in collaboration with many ECD centres, specialized training units attached to academic institutions and NGOs focused on ECD programmes which have impacted over 24 000 children;
- Support for secondary schools focusing on mathematics and science; and
- Continuing with its bursaries funding primarily Honours students studying at tertiary education institutions around the country.

## *Holding Companies and their future:*

HCI is a small conglomerate. As such it invariably trades at a significant discount to the value of its underlying assets. This raises the question whether it would not be better to simply release the discount by an unbundling.

To some extent the problem resolves itself in the ordinary course of business. There are always assets that can either be sold at fair value, or unbundled to shareholders, despite constraints imposed by the need to secure holding company debt. Over the years, HCI has done reasonably well both in releasing value to its shareholders and containing debt at the centre. The sale of Venus, however, offers HCI the prospect for the first time in its history of paying off all its debt and having its own cash to invest. This is the position which every successful holding company aims to achieve, and we believe it is finally within our reach.

Ironically, the discount in the holding company market capitalization also offers a great low risk acquisition opportunity to buy back one's own shares. Over the last couple of decades HCI has bought back some 80% of its own shares at significant discounts to the underlying value of the company. The effect has been quite surprising. Had we held on to our 5% stake in Vodacom and not bought back our own shares, current

HCI shareholders would effectively have owned less than 0.8% of Vodacom today, worth about R2 billion. Instead, they own HCI shares worth perhaps 8 times that number and, in addition, have had unbundled to them a similar value in Montauk and other shares.

Nevertheless, stripped of all other considerations, the key to justifying the continuation of a holding company which trades at a discount is having good growth opportunities which can be exploited without issuing its discounted paper. It is the nature of such opportunities that one can't be successful in each of them but, as anyone managing a listed company soon finds out, reputations are made and lost on the success or failure of one's last deal.

In summary, managing a holding company appears to me to boil down to this: If you don't have any growth ideas it is time to drop the holding company and release the discount. If you do, make sure they are a success.

HCI growth plans are well known in general and are centred in actualizing the potential of our portfolio of growth assets which we have continued to nurture despite intense pressures to conserve cash exacerbated by the COVID pandemic. These include exploration activities of IOG, the construction of a world class PGM mine in Limpopo and rolling out Inrange Golf sites. Added to this, we have put together an exciting bid for the licence to operate the lottery designed to incorporate the top end of technology available in the industry and to use the specialized knowledge base of our subsidiaries and associated companies. Admittedly we have said this before, but the renewal of that licence is expected to be put out to tender in the immediate future. We will also test whether Eskom is agreeable to the development of the power plant at Mossel Bay and will work on this idea if it is a real possibility.

We hope HCI is able to report success with these opportunities over the next year or two and that these projects allow the upward trajectory of our share to continue. If not, we will concentrate on minimizing the discount in the share price.



John Copelyn  
Chief Executive Officer  
26 July 2023

## DENEB INVESTMENTS LIMITED



### DENEB INVESTMENTS LIMITED ("Deneb")

[www.deneb.co.za](http://www.deneb.co.za)

The year to March 2023 has been interesting and challenging in equal measure for Deneb. On the face of it, Deneb grew profit before tax by R21 million (11%) to R205 million. However, it should be noted that the results are significantly influenced by the finalisation of a COVID business interruption insurance settlement which was finalised and the benefits brought to book in the period under review. The net benefit included in this period, after adjusting for associated costs, is R59 million. If one excludes this insurance benefit, then profit before tax is down R38 million (21%) to R146 million.

On a positive note, revenue grew by R410 million (14%) to just under R3.3 billion. The revenue growth largely came from an expansion in product ranges and growing market share. In most areas that Deneb operates in, the market is not growing and thus the Deneb businesses need to continually find new opportunities for growth through

new products, new distribution channels or growth in market share. The management teams do a good job of finding these opportunities.

Although revenue grew nicely, gross profit only grew by R10 million (1%). This reflects the quite severe contraction in gross margins from 27% in the prior year to 24% in the current year. The current year's margins were under pressure for the following reasons:

- Raw material price reductions. Certain of Deneb's larger manufacturing businesses have an automatic price adjustment mechanism, in terms of which selling prices are automatically adjusted for movements in the base raw material prices. As prices rise, margins benefit as the supply chain is filled with cheaper raw materials but when prices drop, it has the opposite effect.
- This year was also an expansionary year, with Deneb investing R250 million on property plant and equipment with a further R47 million to be spent shortly after year-end. All direct expenditure is capitalised, but there are



Vega Properties Deneb House

also indirect expenses being incurred. For example, extra space would have been let in anticipation of the machinery arriving and while it is being commissioned, likewise there are people employed and being trained in anticipation of the increased demand. Until the assets are brought into production in the new financial year, these costs are "unproductive" and weigh on the margin.

- Most of the revenue growth came from supplying new products. There are certain inefficiencies that come with the introduction of new products. As volumes grow, and production is bedded down, these inefficiencies will be worked out of the system.
- Load-shedding has also weighed on margins through the extra costs of running diesel generators as well as quite significantly higher repairs and maintenance costs due to power surges and interruptions.

What is important to note, is that Deneb has not chased volume at the expense of margin. Other than the last point on load-shedding, which will continue to affect results in

the new year, the other points should resolve themselves and all things being equal, margins should improve. Admittedly, "all things being equal" is a big assumption in the current environment.

After a few years of strong cash generation and debt reductions, in the two years prior to this year Deneb managed to reduce interest-bearing debt by R250 million, this year has been an investment year with R250 million being invested in property, plant and equipment. As a result, interest-bearing debt climbed by R123 million. There is another R47 million to be spent in the new financial year to finish off these projects. There will be some benefit from these capital projects in the first half of the new financial year, but the full benefits are only likely to flow in the second half and into the financial years thereafter.

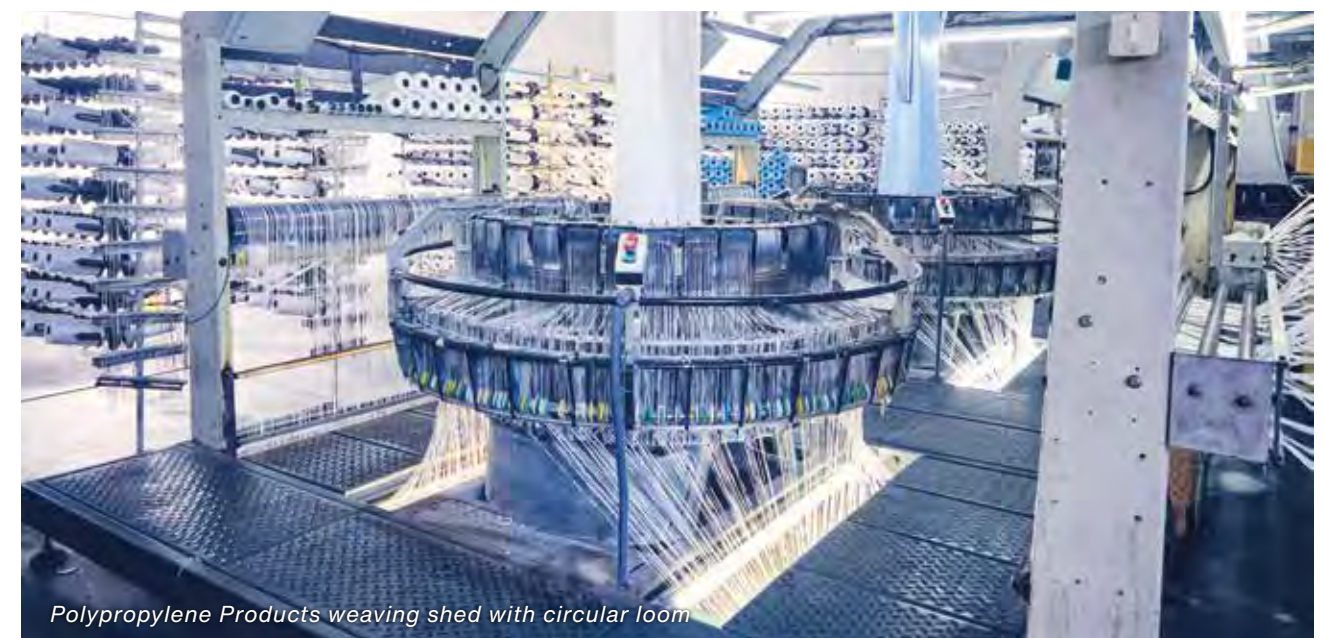
*Deneb Investments Limited is separately listed on the JSE Securities Exchange. More information on the group can be found at [www.deneb.co.za](http://www.deneb.co.za)*



Formex 1600 ton auto transfer press

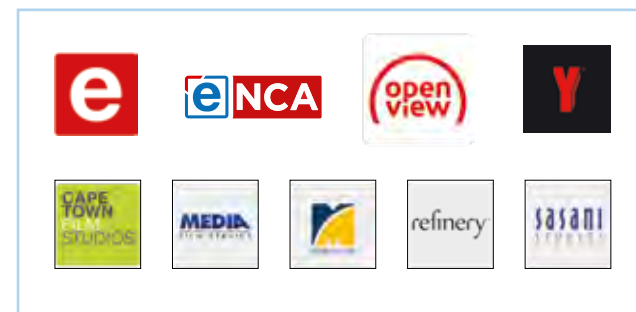


Premier Rainwatergoods fibre laser cutting light steel



Polypropylene Products weaving shed with circular loom

## OPERATIONAL OVERVIEW



### eMEDIA HOLDINGS LIMITED ("eMedia")

[www.emediaholdings.co.za](http://www.emediaholdings.co.za)

#### eMedia's financial performance:

The eMedia Group ("eMedia") is proud to announce a stable set of results for the financial year that ended 31 March 2023, with this year's EBITDA of R667.2 million closely matching the previous year, which was R667.1 million. The net profit for the year of R381.0 million from continuing operations, is slightly behind the prior year profit of R418.7 million (restated for discontinued operations) which is in most part due to the R16 million deferred tax asset raised last year in relation to Platco as well as an increase in marketing spend of approximately R20 million to ensure consistent audience and revenue share.

Despite difficult trading conditions in the form of 282 days of load-shedding, which has had a direct impact on TV viewing, eMedia is satisfied with the financial performance achieved for the financial year. The available revenue for TV was impacted so much so that it has resulted in a reduction of almost R500 million in advertising revenue to the industry.

Notwithstanding all the negative impacts to business operations in the macro-economic environment in South Africa eMedia was able to return satisfactory results compared to the previous year and further continues with the declaration of dividends to its shareholders with a dividend of 20 cents per share at the close of the financial year.

#### Operational overview:

eMedia's revenue for the fiscal of R3.1 billion is only R20 million less than the previous year despite the under-pressure television advertising cake and a reduction in the eNCA licence fee received from Multichoice. This was underscored by television advertising revenue ending on R2.1 billion and an increase of 48% (R86 million) on the property and facility income driven mainly by the recovery of Media Film Services.



eMedia once again outperformed the market in terms of advertising revenue in both the television and radio market. This benefit in advertising revenues can be attributed to the Group maintaining prime time audience market share at 34.5% in March 2023 from 34.1% in March 2022, a slight increase year-on-year.

*Further analysis of eMedia's market share reveals an increase in both shoulder and prime time. The share ended at 31.8% and 34.5% respectively, making eMedia the biggest broadcaster in audience share in prime-time and second to DSTV in shoulder time in South Africa.*

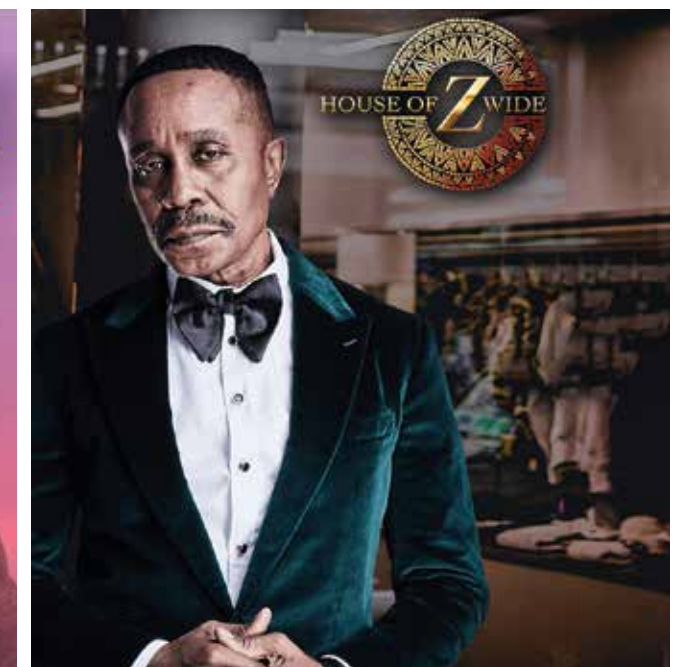
e.tv continues to face the impact of the uncertainty of the imminent analogue switch off facing the country but the Group is confident that the audience share will be carefully managed. At present eMedia is once again engaging with the Department of Communication in relation to the switch-off date with e.tv stating that too many ordinary South Africans will remain without TV with a hard switch-off.

This DTH unit of the business accounted for 23.8% of the advertising revenue amounting to R501.3 million which is up from R468.7 million in the previous year. Profitability in this unit has been maintained with content costs for the fiscal being pegged at R381.0 million.

eMedia has referred its complaint against Multichoice, in relation to the distribution of the four Openview entertainment channels on the DSTV platform, to the Competition Tribunal in terms of Section 51(1) of the Competition Act for consideration. In the circumstances, eMedia successfully applied for an extension of its interdict against DSTV removing the channels pending the Competition Tribunal making a ruling on the matter.

The set-top box activations for Openview for the year amounted to 513 840 taking the amount of activated set-top boxes to 3 166 461 activated at the end of the period.

eMedia's news channel, eNCA, is the most watched news channel in the country among the LSM 8 to 10 viewer



and the second most watched news channel in All Adults, although it's not offered on all tiers of the DSTV bouquet, whereas the competition is. There has been a significant change in average minute ratings ("AMRs") since the pandemic and, also due to load-shedding. The Group has also relaunched the channel on 1 May 2023 with the slogan "Question, Think, Act".

The Group has secured a further five-year agreement with Multichoice for the carriage of eNCA. The channel will remain exclusive to Multichoice.

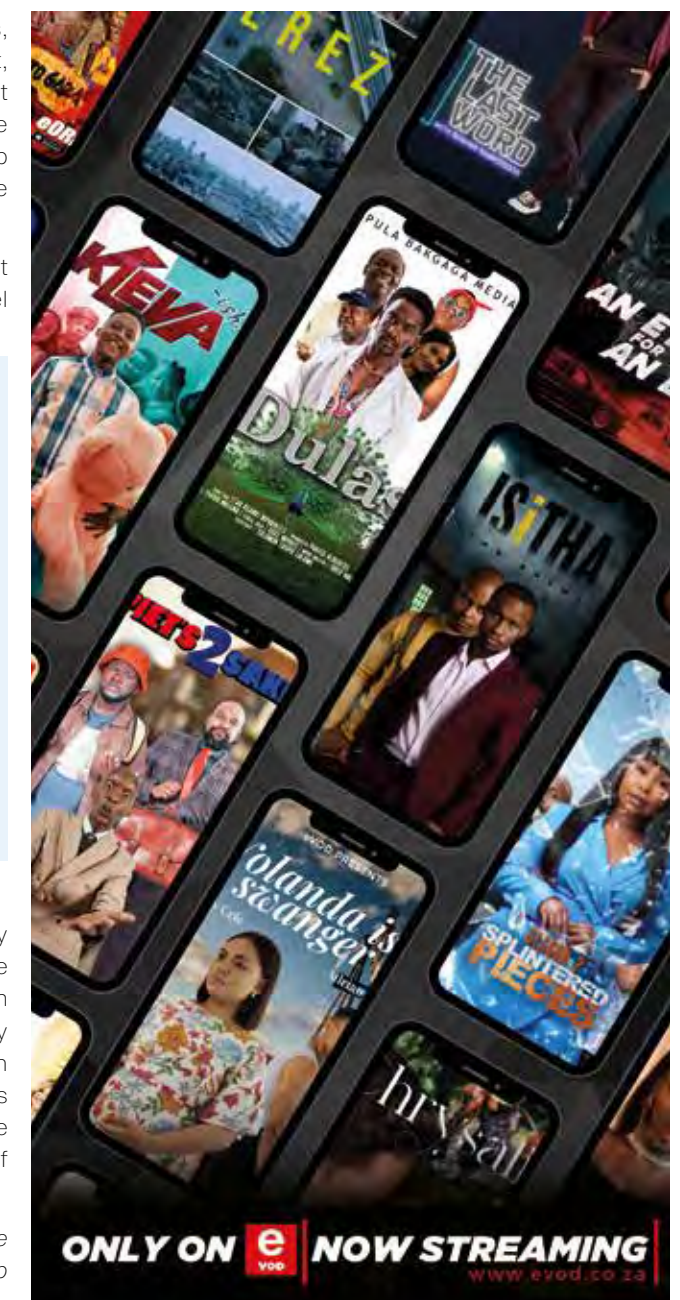


eMedia's OTT platform is now more than 12 months old and has been well accepted in its target market. The number of registered viewers to date has been very encouraging with the average daily minutes viewed in excess of 1 500 000. The eOriginals offering together with the Afrikaans Turkish telenovellas on eVOD is the leading audience generator on eVOD making the Group bullish about investing a further R100 million per annum in local original content which will be amortised across the Group's platforms and channels. To date the Group has added 73 hours of original content to its slate.

#### 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 also intends to launch a number of digital developments to enhance its revenue generation capabilities and take advantage of eMedia's highly in-demand content.

eMedia Holdings is separately listed on the JSE Securities Exchange. More information on the group can be found at [www.emediaholdings.co.za](http://www.emediaholdings.co.za)



## OPERATIONAL OVERVIEW (Continued)



### FRONTIER TRANSPORT HOLDINGS LIMITED ("Frontier")

[www.frontiertransport.co.za](http://www.frontiertransport.co.za)

A stellar performance by the anchor subsidiary of the Frontier Transport Holdings Group, Golden Arrow Bus Services ("GABS"), provided the bedrock for the posting of a commendable set of operating results achieved over the reporting period. This was buttressed by the resilient operations of the MyCiTi Vehicle Operating Companies ("VOCs"), innovative operational maneuvering by longstanding associate Sibanye Bus Services, and a rejuvenated performance by the luxury coach entity, ElJoSa Travel & Tours.

A notable feature of Frontier's performance was the incremental NPAT contribution of subsidiaries vis-à-vis GABS, which showed a creditable 6.4% increase from the previous financial year. The enhanced proportional contribution of the smaller subsidiaries is testimony of the sustainability of the diversified portfolio and scalability potential of recently acquired entities.

The Frontier group managed to increase revenue by 15.1% when compared to the prior comparative period. However, the effect of the rising fuel price and above inflationary original equipment manufacturers' price increases, caused operating expenses to increase by 18.9% over the same period. The net effect resulted in an EBITDA of R458.2 million (2.3% higher than the comparative prior period of R447.8 million).

Debt levels decreased by R45 million since 31 March 2022 and notwithstanding an increase in the prime rate over the period, the Frontier group managed a savings of R3,4 million in its finance costs. The decrease in debt is predominantly due to the fleet replacement programme, which was put on hold over the preceding two financial years. This will be resumed in this financial year.

The Frontier group is pleased to present an attributable Group profit of R277.5 million (6.2% higher than FY 2022 of R261.2 million) and Headline earnings at R 278.9 million (5.9% higher than FY 2022 of R263.2 million).



### Golden Arrow Bus Services:

The return of passenger volumes to near pre-COVID levels was heartening and emphatically underlines the pivotal role GABS and other commuter bus subsidiaries play in the ordinary lives of citizens of the Cape Metropole, who rely on commuter bus services to perform their daily functions.

This was empirically endorsed by the biennial independent Customer Satisfaction Survey conducted by the Cape Peninsula University of Technology ("CPUT") in September 2022, which revealed a 90% level of passenger satisfaction with the full spectrum of the bus services provided. Overall passenger volumes during the review period increased by 13% in comparison to the previous year.

Notwithstanding the windfall occasioned by a resurgence in passenger volumes, bus operations had to contend with extremely volatile diesel prices compounded by weak rand/dollar exchange rates and escalating crude oil costs as well as supply-chain bottlenecks that impacted the availability and cost of spares and supplies.

Through judicious scheduling of buses to avert the traveling of unproductive kilometres and the configuration of trips to achieve optimum passenger yields by means of efficient peak-bus utilisation, manpower and fuel expenditure were effectively contained within budgetary parameters.

The planning and variation of these scheduling initiatives were derived from analytics obtained through the advanced automated fare collection system, which provided the operations team with the necessary tools and applications to nimbly navigate bottlenecks and achieve efficiencies to mitigate the burden of escalating operational costs.

In-depth investigations into a surge in the prices of spares revealed that OEM suppliers in the main were engaging in price gouging in the wake of logistical constraints precipitated by geo-political upheavals.



Recourse to competition policy relief provided sufficient leverage to cause suppliers to refrain from these collusive and dominant practices and together with heightened vigilance in procurement processes, the ballooning of the cost of spares and supplies was notably impeded.

The pre-emptive installation of generators and solar panels across all company depots and facilities yielded substantial insulation from the effects of rampant load-shedding. Negligible disruptions were experienced in adhering to scheduled timetables.

In anticipation of the planned electrification of the bus fleet, the concurrent installation of solar panels across the company's real estate footprint has continued unabatedly and is earmarked as the precursor to EV charging at all depot locations. During the reporting period a total of 1928816 kWh of solar generated electricity was produced from the current solar panel grid installed on company premises.

Going forward, the strategic focus of GABS is embedded in the electrification of the bus fleet and to this extent, prototypes have been specified and plans are in an advanced stage to assemble units at scale and to firm down the logistics related to effective generation and charging of buses within the ambit of scheduled operations.

### Table Bay Rapid Transit ("TBRT"):

The operational focus of this MyCiTi VOC has been on minimising infringements and being compliant with the deliverables specified by the City. This approach has seen revenue increasing by 20%, resulting in an EBITDA that was 13% higher than the prior year.

### Sibanye Bus Services:

Through the introduction of innovative measures, the 47 peak-bus operation yielded a creditable NPAT which exceeded the previous reporting period by 9.5%.

### ElJoSa Travel & Tours:

Having to contend with a significant COVID induced operating loss in the previous review period, ElJoSa

recorded a creditable operating profit which signals a rejuvenation of the entity on the back of a buoyant tourism market. The company is well poised to capitalise on the myriad opportunities presented by the resurgent scholar transport and incoming tourism market segments.

### Alpine Truck & Bus:

As a Greenfields entity, Alpine posted a marginally improved, albeit negative operating performance despite achieving a commendable EBITDA return. With the awarding of sole agency of a highly rated new truck brand from China and the revamping of the sales division, the company is well positioned to realise its underlying potential in the coming year.

### Frontier Tyres:

During the reporting period, the entity was rebranded from Elori Tyres to reflect the identity of the group. Production was severely impacted by load-shedding, which had a domino effect on the maintenance and repair facets of the business. The installation of generator backup power supply, additional autoclaves and added mobile service vans will provide a steady platform to meet production objectives and extend its maintenance service going forward.

### Shuttle-Up:

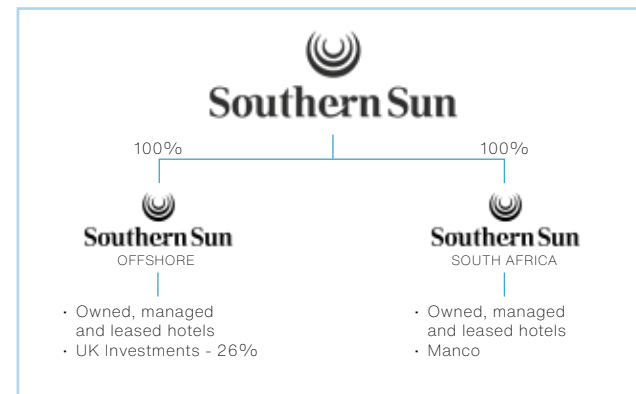
As was the case with its sister subsidiary ElJoSa, the performance of Shuttle-Up was boosted by the revitalisation of the tourism sector, causing it to record a 5.5-fold increase in EBITDA. The 12-vehicle boutique company is set to consolidate its brand as a premier shuttle service geared for specialised events and a niche airport mobility service.

### N2 Express:

The reinstatement of the N2 Express service contributed R7.2 million to the Frontier group's profit from equity accounted investment for the period.

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](http://www.frontiertransport.co.za)

## Southern Sun



### SOUTHERN SUN ("Southern Sun" or "Hotels")

- Full year occupancy at 51.5% (2022: 30.6%)
- EBITDAR at R1.4 billion (2022: R590 million)
- Adjusted headline profit of R443 million (2022 loss: R132 million)
- Net debt reduced to R1.3 billion (2022: R2.8 billion)

#### Financial Performance:

Trading levels continued to recover, particularly in the second half of the financial year, as local and international travel patterns normalized and demand for conferencing and events increased. All regions performed well and exceeded FY2020 (pre-COVID) levels except the Sandton node, reflecting the delayed recovery in corporate transient travel exacerbated by many companies in the node still operating a hybrid remote-working model.

Excluding the once-off payment of R399 million received from Tsogo Sun Limited ("Tsogo Sun") on implementation of the Separation Agreement ("Separation Payment"), Southern Sun achieved total revenue (including discontinued operations) for the year ended 31 March 2023 of R5.1 billion (FY2022: R2.7 billion), a growth of 87.6% on FY2022 and 13.5% above FY2020 revenue of R4.5 billion. Similarly, Southern Sun generated EBITDAR (including discontinued operations, pertaining to the disposal of Southern Sun Ikoyi hotel in Ikoyi, Nigeria) of R1.4 billion (FY2022: R590 million), significantly higher than FY2022 and a growth of 6.2% on FY2020 EBITDAR of R1.35 billion. This performance is particularly encouraging considering Southern Sun's total occupancy of 51.5% (FY2022: 30.6%) for the FY2023 year is well below the 59.3% achieved in FY2020.

In addition, Hotels have grown average room rates ("ARR") by 18.3% and 16.3% from FY2022 and FY2020, respectively. This is mainly attributable to ARR growth in Southern Sun's core portfolio as well as the consolidation

of luxury properties with higher ARR's such as The Westin Cape Town, Arabella Hotel, Golf & Spa and Mount Grace Hotel & Spa that were previously treated as investment properties.

Luxury hotel guests have proven more resilient to prevailing economic pressures such as inflation and rising interest rates, being influenced more by location and personal preference rather than price. Having reduced the Southern Sun's operational gearing through the cost restructuring undertaken during COVID, the flow-through from revenue growth to EBITDAR has improved, positively impacting profitability despite lower occupancy. Southern Sun's EBITDAR margin of 28.3% (excluding the Separation Payment) is well above the prior year margin of 21.8% but below FY2020 as a result of the consolidation of hotels previously treated as investment properties.

Notwithstanding the upward trend in trading and return to normalised travel patterns, Hotels remains heavily exposed to the South African economy which faces slow GDP growth, high unemployment and a lack of policy certainty and solutions to the country's ongoing energy crisis from government. The continuous load shedding has a detrimental impact on consumer and corporate sentiment.

Given our learnings from the pandemic, Southern Sun can quickly reduce costs in response to revenue contraction and after the refinancing of Southern Sun's debt package and significantly reduced debt levels a short to medium-term retraction in occupancy no longer poses an existential threat to Southern Sun. We will continue the discipline of managing cash flow and liquidity closely and maintaining the cost efficiencies achieved while at the same time focusing on the completion of various refurbishment projects that were placed on hold, particularly at flagship properties so that we avoid downtime during high-demand periods.



#### Prospects:

We are encouraged by trading levels over the last six months which have continued into April and May 2023. The impact of a winter with a severely constrained electricity system is unknown. Having successfully strengthened Hotels' balance sheet over the past year, we are able to withstand short-term trading volatility but will continue to maintain the discipline of managing liquidity and capital allocation prudently.

Southern Sun's strategy is to continue reducing debt

levels and making the most of the properties we have in our portfolio, many of which are irreplaceable, and to focus on our customer delivery.

Southern Sun further bought back over 10 million SSU shares at an average price of R4.46 by 31 March 2023 and a further 89 million SSU subsequent to year-end, outside of its closed period. Additional buy-backs are intended should Hotels remain undervalued.

*Southern Sun is separately listed on the JSE Limited. More information on the hotel group can be found at [www.southernsun.com](http://www.southernsun.com)*



TSOGO SUN



TSOGO SUN LIMITED  
("Tsogo Sun")  
www.tsogosun.com



|                                        | FY 2023 | FY 2022 | % Change on prior year | FY 2020 (pre-COVID) | % Change on FY 2020 |
|----------------------------------------|---------|---------|------------------------|---------------------|---------------------|
|                                        | R'm     | R'm     |                        | R'm                 |                     |
| Income                                 | 11 318  | 8 938   | 27                     | 11 686              | (3)                 |
| Operating costs                        | (7 352) | (5 81)  | (27)                   | (7 681)             | 4                   |
| EBITDA                                 | 3 966   | 3 128   | 27                     | 4 005               | (1)                 |
| EBITDA margin                          | 35.0%   | 35.0%   | -                      | 34.3%               | 0.7                 |
| Adjusted EBITDA (including leases)     | 3 889   | 3 045   | 28                     | 3 883               | -                   |
| Net finance cost                       | (655)   | (735)   | 11                     | (1 062)             | 38                  |
| Headline earnings                      | 1 592   | 1 153   | 38                     | 1 284               | 24                  |
| Adjusted headline earnings (AHE)       | 1 824   | 1 153   | 58                     | 1 420               | 28                  |
| Adjusted EBITDA to AHE conversion rate | 47%     | 38%     | 9                      | 37%                 | 10                  |
| Dividend per share - interim (cents)   | 30      | -       | -                      | 26                  | 15                  |
| Dividend per share - final (cents)     | 57      | 19      | 200                    | -                   | -                   |
| Capex cash flow                        | (569)   | (267)   | (113)                  | (1 178)             | 52                  |
| NIBD and guarantees                    | (8 047) | (9 04)  | 11                     | (11 442)            | 30                  |

The net debt to adjusted EBITDA ratio for the 31 March 2023 year end, as measured for covenant purposes, amounted to a 2.0 times multiple, representing a reduction from the 2.9 multiple at the 31 March 2022 year end.

Despite the completion of various transactions during the year under review with a net cash outflow totalling approximately R644 million, and with ordinary dividend payments of R514 million, the group still managed to reduce its net interest-bearing debt and guarantees by approximately R1.0 billion to R8.0 billion at 31 March 2023.

Total income generated for the year was R11.3 billion, EBITDA was R4.0 billion and adjusted EBITDA (after IFRS 16 adjustments) was R3.9 billion. The cost of diesel and the adverse effect on income due to high levels of load shedding, especially in January and February 2023, negatively impacted the group's expected year end position and margins. An EBITDA margin of 35% was achieved for the year (in line with the 35% of the 2022 financial year).

Headline earnings achieved for the year amounted to R1.6 billion compared to R1.2 billion reported for the prior year. If, however, the cost of the cancellation of the hotel management contracts, amounting to R289 million (after tax and non-controlling interests), and R57 million (after tax) in respect of a credit for hedge ineffectiveness are excluded from the headline earnings calculation, then the adjusted headline earnings achieved is R1.8 billion.

Casinos:

The casino division operates 14 casinos, hotels, a Theme Park, restaurants and other entertainment facilities. Significant focus is placed on the nature, quality of the facilities and experiences offered at each precinct.

Notwithstanding the shortfall of income in casinos that is evident post the pandemic, a strong EBITDA was still achieved. As a result of unprecedented levels of load shedding, high fuel and food prices and increased interest rates, revenue is expected to remain under pressure in the short term.



The casino precincts have continued their implementation of green energy solutions, with Montecasino scheduled to complete its 4.3MW roof top solar installation by August 2023, which is going to be one of the largest of its kind in South Africa. Expansion of the existing solar plants at Silverstar casino and Garden Route casino is already underway, scheduled for completion by September 2023. A new installation generating approximately 1.5MW is planned for Gold Reef City and should be completed by November 2023.

The upgrade project at Emerald Resort and Casino is starting to show positive signs of improved performance.

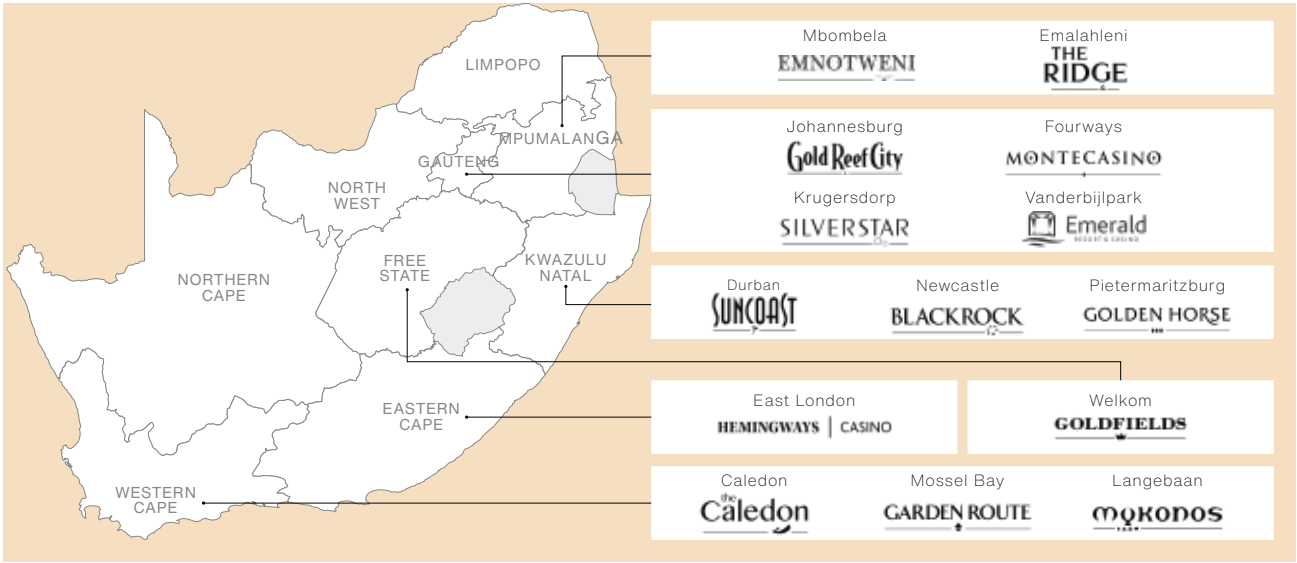
Hotels:

Management of all hotels is now in-house and Tsogo Sun plans to improve and expand its hotel offering.

The Silverstar hotel has been expanded from 43 to 55 rooms from April 2023 and the complete refurbishment of the two hotels at Gold Reef City Casino and Theme Park has been completed which now include new world class conference facilities. In addition, Tsogo Sun has taken up an approximate 10% shareholding in City Lodge.

Entertainment:

The innovative changes and improvements implemented at Gold Reef City Theme Park have resulted in the profits earned for the year exceeding all previously recorded profits earned by the park. New event facilities catering for corporate or private functions are now in operation and further improvements to food and beverage and other facilities at the Theme Park are scheduled to be completed by August 2023.





**Bingo:**  
Galaxy Bingo offers gaming sites in 6 provinces, predominantly located at shopping centres at leased premises. Galaxy Bingo's trading was also negatively impacted by the severe load shedding that has been implemented, especially where shopping centre nodes endure darkness for extended hours during the evenings. With lower income, coupled with salary and rental cost increases, as well as the cost of diesel and generator maintenance, it was inevitable that margins would take strain during the year.

**LPMs:**  
VSlots offers Limited Payout Machines ("LPM") in all provinces of the country, predominantly located in bars, restaurants, hotels and bookmaker sites. As with the Casino and Bingo divisions, the VSlots LPM division was also negatively impacted by the higher stages of load shedding implemented, particularly in January and February 2023. Various projects are in progress in an attempt to further reduce the impact of load shedding at more than a thousand sites across South Africa where VSlots operates.

**Digital, Online and Technology:**  
Developments within the digital, online and technology space are progressing well, and Tsogo Sun envisages having more visibility in the market in this regard in the 2024 financial year. playTSOGO, the Tsogo Sun online betting platform, was launched in December 2022 with

a unique and quality product offering. The expansion of betting libraries is underway, creating an exciting adventure in the Tsogo Sun online betting division.  
The new Tsogo Sun App with extensive functionalities for improved customer experience, and a completely new Tsogo Sun customer loyalty programme offering superior benefits, is set to launch by October 2023.

**Regulatory:**  
The Department of Health has continued in its endeavours to proceed with the proposed widespread changes to the tobacco legislation, regardless of any adverse consequences. The proposed banning of the already restricted dedicated smoking areas will, if implemented, impact the casino industry and all stakeholders negatively.

**Prospects:**  
After the setback of higher levels of load shedding which impacted income and the cost base Tsogo Sun is expediting its investment in solar projects and additional generator capacity.

The fundamentals of building a sustainable and strong business for the future are in place with exciting prospects for Tsogo Sun, but unfortunately not without risk in the current economic and regulatory environment, coupled with a crippling energy crisis.

*Tsogo Sun Limited is separately listed on the JSE Securities Exchange. More information on Tsogo Sun Limited can be found at [www.tsogosun.com](http://www.tsogosun.com)*



HCI COAL PROPRIETARY LIMITED ("HCI Coal")  
[www.hcicoal.co.za](http://www.hcicoal.co.za)

HCI Coal had a very good year, especially when taking into account the lower than expected offtake from Eskom. This forced HCI Coal to continue its supply of coal to alternative markets in an effort to reduce its dependence on Eskom. The RB3 export market assisted HCI Coal to sustain offtake volumes and also increase its revenue base.

*Overview of Operations:*

A successful commissioning of the FX Air plant, with a feed capacity of 600 tons per hour, was completed during September 2022. The Air plant produces a better quality product for Eskom and assists HCI Coal to open some capacity in the current Dense Medium Cyclone plant to produce products for alternative markets, thus giving flexibility on offtake going forward. Discussions with regards to the extension of the current offtake agreement with Eskom is still ongoing.

Although all production targets were achieved, challenges were experienced as a result of the extended rain season which continued into the month of May, as well as production interruptions at the processing plants caused by load shedding.

From a mining perspective the ROM production volumes has increased by 21% to 3 763 775 tons [2022: 3 104 770 tons] as a result of an increase in sales from 2 616 595 tons in FY 2022 to 3 156 371 tons during the year under review. This increase in sales can mainly be attributed to the opportunity of increased supply to the alternative markets.

|                           | Palesa Colliery<br>Tons |
|---------------------------|-------------------------|
| Mineral reserve: proven   | 47 948 859              |
| Mineral reserve: probable | 17 551 309              |
|                           | 65 500 168              |

*Financial performance:*

The increase in sales volumes resulted in a revenue increase of 46% to R2.11 billion [2022: R1.46 billion]. This was a remarkable achievement and HCI Coal has proven that it is able to maintain supply into the energy market whilst also supplying other markets, with an increase in profitability.



HCI Coal's EBITDA increased by a staggering 85% in the last financial year to R 497 million as a result of increased production and favorable pricing on the export product.

**Health and Safety:**  
From a Health and Safety point of view, HCI Coal is always looking at ways to improve to achieve the objective of Zero Harm. HCI Coal has worked 434 days without a Lost Time Injury and no occupational health related cases were recorded. HCI Coal has now achieved 2181 fatality free days, equivalent to 6-years, without a fatality.

HCI Coal has approved the implementation of a new Health and Safety management system, to ensure compliance and continuous improvement. This system allows employees access anytime and anywhere via their mobile phones.

**Social investment:**  
In terms of the communities in which HCI Coal operates, it is compliant with the commitments as stipulated in the HCI Coal social and labour plan.

During the period under review, HCI Coal has spent in excess of R700 million on procurement for services and goods within the communities surrounding Palesa mine. A training program has been introduced for entrepreneurs and existing service providers to assist with business skills development. Food parcels and blankets have been distributed to the needy and the elderly, and stationary for schools within the communities as part of the social investment initiatives. The most significant project currently is the construction of 40 low-cost houses within the surrounding communities over the next two years. The construction of the initial 20 houses are progressing well and should be finished by the last quarter of calendar year 2023 and the last 20 houses at the end of 2024.



## OPERATIONAL OVERVIEW (Continued)



### PLATINUM GROUP METALS LIMITED ("PTM")

[www.platinumgroupmetals.net](http://www.platinumgroupmetals.net)

Platinum Group Metals Ltd. (PTM:TSX; PLG:NYSE American) is advancing the large Waterberg Project in South Africa ("Waterberg Project"). A definitive feasibility study published for the Waterberg Project in September 2019 ("DFS") estimated 19.5 million reserve ounces of palladium, platinum, gold, and rhodium, along with 376 million pounds of copper and 728 million pounds of Nickel. The deposit is shallow and thick and is planned as a low-cost, bulk mechanised underground mine with twin decline access.

On October 18, 2022, Waterberg JV Resources (Pty) Ltd. ("WJVR") approved a US \$21 million in principle pre-construction work program (the "Work Program") for the Waterberg Project over a 23-month period ending August 31, 2024. The Work Program comprises early project infrastructure including initial road access, water supply, essential site facilities, a first phase accommodation lodge, a site construction power supply and advancement of the Waterberg Social & Labour Plan. An update to the DFS ("DFS Update") is currently underway and is to be complete in late 2023. The DFS Update will include a review of cut-off grades, mining methods, infrastructure plans, scheduling, concentrate offtake, dry stack tailings, costing and other potential revisions to the Waterberg Project's financial model.

The South African Department of Mineral Resources and Energy ("DMRE") granted a mining right for the Waterberg Project on January 28, 2021. Although the recognized leadership of communities hosting the Waterberg Project have documented their support, several local individuals filed to appeal to the grant of the Waterberg mining right in 2021 and 2022, which appeals the DMRE has reviewed and dismissed. WJVR and the DMRE are working through remaining minor complaints in an appropriate manner. WJVR continues to collaborate with local communities to maximize project value for all stakeholders. WJVR recently assisted host communities with funding for water supply upgrades and general maintenance of community areas and buildings. Skills and needs assessment surveys are currently underway, which will help to inform planned education and training programs. The cost of specialist consultants, advisors and legal counsel appointed by host communities to assist them in relation to the Waterberg Project is being paid by WJVR.

Discussions to establish concentrate offtake arrangements with existing South African smelters



PTM Geologist Thys Botha with high grade Waterberg core

continue in 2023. During 2021 and 2022, 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.

The DFS estimated peak funding requirements to construct the Waterberg Project at US \$617 million, 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. The DFS Update will include a current peak funding estimate.

PTM and Anglo American Platinum Limited are advancing a research and development initiative through Lion Battery Technologies Inc. ("Lion") and Florida International University ("FIU"). Lion was incorporated in 2019 to accelerate the development of next-generation lithium battery technology using platinum and palladium. FIU has received five patents from the U.S. Patent and Trademark Office on behalf of Lion and more patents are under application.

To February 28, 2023, an aggregate total of US \$82.9 million has been invested for exploration and engineering on the Waterberg Project. For the 12 months ended February 28, 2023, PTM incurred a net loss of US \$5.1 million (2022: - US \$12.5 million) and issued 4.0 million shares pursuant to offerings, placements, and option exercises at an average price of US \$2.15 per share. PTM is currently debt free.

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



### IMPACT OIL AND GAS LIMITED ("Impact")

[www.impactoilandgas.com](http://www.impactoilandgas.com)

Impact Oil and Gas Limited ("Impact") is a UK-based hydrocarbon exploration company. Impact's 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 drilling and development of deep-water projects; and ultimately, to participate in a portfolio of high-impact exploration wells.

Impact has built a highly material portfolio, which is partnered with TotalEnergies, QatarEnergy, Shell plc and CNOOC, from which it has delivered three major oil and gas discoveries.

In February 2022, Impact announced a major light oil and associated gas discovery Offshore Namibia. This was preceded by the Brulpadda and Luiperd gas condensate discoveries, offshore South Africa in 2019 and 2020, respectively.

*Namibia:*

*Venus: a world class oil and gas discovery*

Following the giant Venus discovery offshore Namibia, last year, in 2023 Impact has embarked on a multi-well drilling programme to appraise this Venus discovery and investigate a potential westerly extension of Venus, the Nara prospect on Block 2912. The programme is targeting up to four wells (including the re-entry of the Venus-1X discovery well, in Block 2913B). The programme will be executed by two rigs, operating concurrently: the Tungsten Explorer and the Deepsea Mira.

At the time of writing, the drilling programme is well underway with the Venus-1A well having been drilled, Nara-1X operations commenced (both using the Tungsten Explorer) and the Deepsea Mira on location for re-entry and DST (drill stem test, or flow test) operations on the Venus-1X well.

The Orange Basin has become one of the world's most exciting new areas for hydrocarbon exploration, buoyed

by successive discoveries in the TotalEnergies operated block (Venus), where Impact holds an interest, and in the Shell operated block (Graff, La Rona and Jonker), east of the Impact acreage. This is an exciting inflection point for investment in the Orange Basin, which extends from Namibia into South Africa. Since the Venus and Graff discoveries in 1Q22, Namibia has seen new country entries and, with it, new investments, made by Chevron and Woodside, both major international oil companies, with world-class drilling and development capabilities; at least five new 3D seismic surveys committed and/or acquired, aimed at de-risking opportunities for further exploration drilling; six new exploration/appraisal wells, plus two well re-entries and five drill stem tests announced and currently underway. This is an estimated combined investment of over US\$1bn, in a period of approximately 18 months.

Over the coming weeks and months, Impact will focus on evaluating the data from the ongoing drilling programme,



## OPERATIONAL OVERVIEW (Continued)



*Tungsten Explorer, 6th Generation Ultra-Deepwater Drillship*

which will assist in understanding the full extent of the Venus discovery, and the reservoir, which is crucial to determining commerciality.

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.

### *South Africa:*

The Orange Basin discoveries in Namibia are excellent catalysts for accelerating exploration investment on the South African side of the Orange Basin (i.e. offshore western South Africa). To date, however, this has not materialised, primarily due to the above ground risks. In addition to the ongoing legal challenges affecting Impact's Transkei and Algoa Block, offshore the Eastern Cape, activists have stopped a 2D seismic acquisition programme on the West Coast, in early 2022; have filed appeals against the environmental authorisation for two newly prepared 3D seismic campaigns; and filed multiple appeals against the granting of an environmental authorisation to TotalEnergies in respect of Block 5, 6, 7 where TotalEnergies plans to drill at least one exploration well. These legal campaigns are increasing investment risk, stifling investment and making it very difficult to progress exploration activities offshore South Africa.

Whilst the above ground risks remain challenging and an obstacle to progressing our South African portfolio, the subsurface continues to offer a compelling and exciting exploration opportunity. The geological story that drove Impact to build its position in South Africa, continues to be reinforced by the results of regional exploration activity.

The Cretaceous geological play pursued in South Africa is the same play that has been successfully targeted by the Venus-1X, Graff 1X, La Rona 1X and Jonker 1X wells, offshore Namibia. It 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 South African and Namibian ("SANAM") super basin. Impact's seismic mapping, including from new data, indicates that the SANAM super basin continues all the way around the Southern African coast from Namibia to offshore Durban, and includes the Natal Trough.

### *Mossel Bay Gas Condensate Discoveries (held indirectly through AEC):*

Impact continues to hold a 36% interest in Africa Energy Corp (AEC), 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.

The Block 11B/12B joint venture has applied for a Production Right and is advancing the proposed Luiperd gas condensate development. The development of the discoveries in Block 11B/12B could provide crucial relief to South Africa's energy crisis; the country saw a record 207 days of load-shedding in 2022 (compared to 75 in 2021). The development of domestic gas resource will enhance energy security by providing access to a long-term, reliable, baseload energy source. This would support the development of key industries, driving growth, creating jobs and improving access to opportunities.



*Deepsea Mira, 6th generation semi-submersible drilling and service Unit*

AEC expects the operator, TotalEnergies, to finalise the development concept and gas offtake terms this year before receiving the Production Right approval in early 2024.

### *Block 2B, Gazania Well (held indirectly through Africa Energy):*

Africa Energy held a 27.5% interest in Block 2B, where the Gazania offshore exploration well was drilled in 4Q2022. The Gazania well was a step-out to the A-J1 well, drilled in 1988, that flowed oil to the surface. Unfortunately, the Gazania-1 exploration well did not encounter commercial hydrocarbons and has been plugged and abandoned.

### *The Natal Trough:*

In the Transkei margin, or Natal Trough, Impact holds a very large position covering approximately 124,000 km<sup>2</sup>, through two licences: 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.

As mentioned above, a major 3D seismic acquisition programme commenced by Impact and Shell in the Transkei area, at the end of 2021, was prematurely terminated as a result of an interdict granted on application by, among others, Sustaining the Wild Coast. Unfortunately, following a full hearing at the High Court, held in May 2022, the Court found in favour of the applicants, granting an order terminating our interest in the Transkei and Algoa licence. This order is suspended pending appeal to the Supreme Court of Appeal, for which leave has been granted, but no date has been set. Impact remains of the view

that the concerns about harm caused by the seismic survey, raised in the application, are unfounded, and not supported by South Africa's own experience of offshore seismic acquisition.

### *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.

### *Industry Outlook:*

The three pillars of the "energy trilemma" - sustainability, security of supply / reliability and affordability - are vital to achieving a just energy transition to a net zero world. Over the past 12-18 months, the second and third pillars, security of supply and affordability, have come into sharp focus in the west; almost as much as they have been the primary concern of the developing world.

This shift in the debate, with a backdrop of strong commodity prices delivering strong shareholder returns for major oil and gas companies, is creating a change in strategy at companies such as BP plc and Shell plc, bringing renewed commitment to invest in oil and gas opportunities.

Whilst the global economic and geopolitical landscape remains uncertain, the macro environment for oil and gas investment looks positive.



Kalahari Mall - Upington

www.hciproperties.co.za

Developments for the year under review included the completion of Omnia's 5 500m<sup>2</sup> head office at Monte Circle and the commencement of Phase 2 at Whale Coast Mall which is scheduled for completion in October 2023. The remaining bulk available at Monte Circle will be developed when viable opportunities are identified.

The challenges faced by HCIP, which hinder its growth, are not exclusive to the HCIP portfolio. Load-shedding is causing operational costs to rise across the portfolio. In order to maintain uninterrupted business operations, backup generators have been installed at properties. Originally intended for emergency power during power outages, these generators are now being utilized more frequently due to the persistent load-shedding. Consequently, the expenses associated with service and maintenance have substantially increased in recent years. Nevertheless, properties are equipped with smart metering systems that facilitate the recovery of applicable fixed and variable charges from tenants.

In addition to the installations completed to date, solar PV initiatives are in the pipeline at a number of properties to assist these properties to become self-reliant and to offset the high cost of municipal electricity and generator running costs.

Management elected to have the entire portfolio revalued by an independent registered valuer which resulted in an increase of R71 million in the portfolios gross value. This increase, together with the continued servicing of the portfolio debt, has resulted in a lowering of the gearing from the FY2022 loan to value ("LTV") of 55% to the current LTV of 53%.

**Retail:**

The retail sector is currently facing the impact of reduced consumer spending, as indicated by tenants' reported turnover. The HCIP retail portfolio remains well positioned to see this period through thanks to retail assets that are proving to be dominant in their respective nodes. Vacancies are below 1%. The first renewal cycle at Whale Coast Mall was navigated through the pro-active engagement by the management team with the respective tenants.

The upcoming renewal cycle at Kalahari Mall will involve the majority of tenants. The approach for these renewals will follow the successful processes that were implemented at Whale Coast Mall.

**Offices:**

Stock levels in the office market remain high and tenants have a shopping list of available space, come lease renewal time. Vacancies remain at a level higher than what HCIP would like to see, albeit slightly down on a like-for-like basis. There has been a relatively high churn with several office tenants giving up space or downsizing and new leases being secured to take up the vacancies. Rental rates remain under pressure with older leases bringing about rental reversions on renewal and a conservative approach being required when budgeting for future renewals.

**Industrial:**

At the Sydney Road property, long-term lease renewals were successfully negotiated with several tenants. Of particular significance is the 10-year renewal agreement reached with China Plaza.

**Mixed-Use:**

The Point Mall in Sea Point continues to show growth in the retail offering with the Nedbank relocation. The retail offering remains fully let with a waiting list of prominent retailers. The commercial space has experienced a slight increase in vacancy. The Palms in Woodstock has shown positive performance. The ground floor and first floor of the retail area have been successfully re-let, attracting a significant number of commercial offices to occupy the space.

**Inner City Housing:**

In January 2020, HCIP made the strategic decision to establish Live the City, an internal entity tasked with managing the Inner City Housing portfolio in-house. This move was an obvious choice, driven by the objective of optimizing occupancy, collections, and tenant relations.

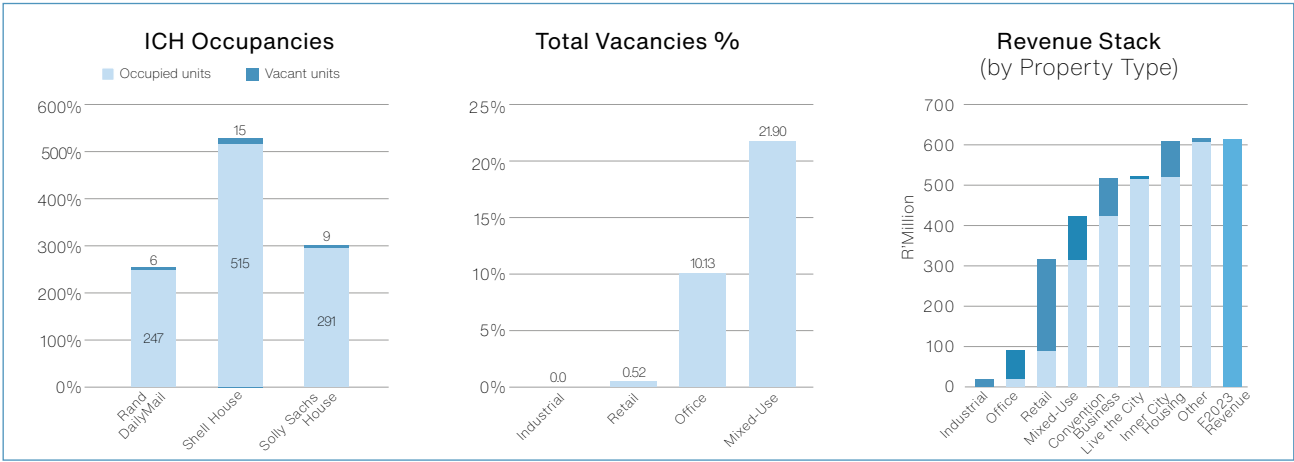
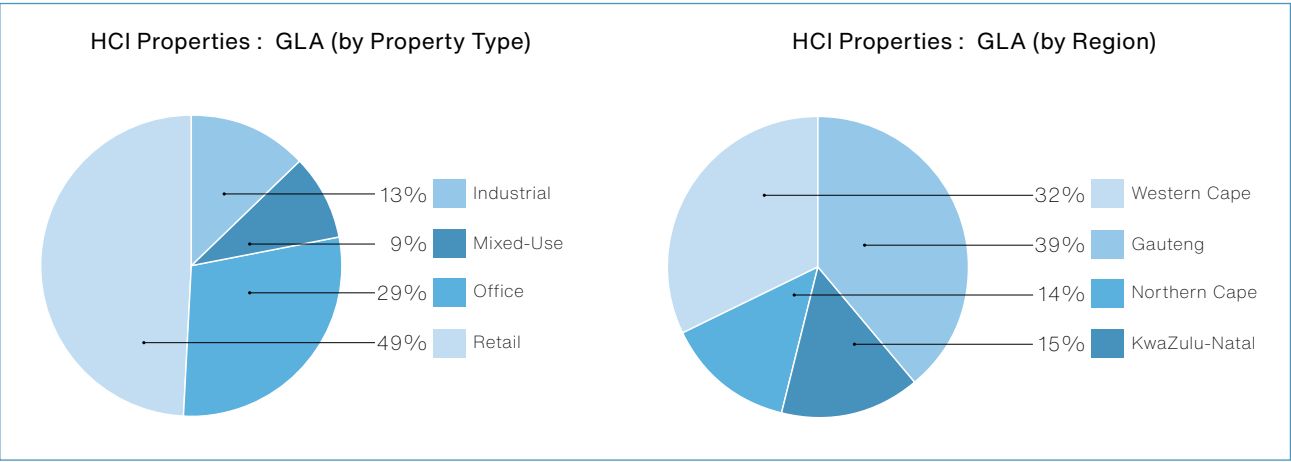
Collections and occupancy have been the best ever, throughout FY2022 and FY2023, at 95% and 97% respectively.



Solly Sachs Inner City Housing - Johannesburg

The impact of extensive load-shedding has been difficult, and measures have been put in place to alleviate the pressure by introducing a small fixed fee to tenants.

The Inner City Housing portfolio's ability to achieve rental escalations has been dampened by the tough economy. While the Inner City Housing properties are always faced with churn, particularly in the residential sector, the buildings remain in high demand. The Inner City Housing properties provide affordable rental accommodation and retail space. Although affordable, the rental units are of a high quality and offer significant amenities, including underground parking, play areas, homework rooms, exercise facilities, Wi-Fi and in-house laundry facilities. The units are well designed, offering attractive and varied apartments. Significant investments have been made in security, cleaning and maintenance.



## OPERATIONAL OVERVIEW (Continued)



Whale Coast Mall - Hermanus



Monte Circle - Monte Casino, Johannesburg



The Palms - Woodstock

### Gallagher Convention Centre:

The recovery in the Convention and Exhibition industry has surpassed initial expectations, with Gallagher Convention Centre experiencing a remarkable upswing in its business.

During the first half of the financial year it was found that the local exhibition business had a measurably quicker recovery than the other business segments, with consumer shows leading the way in the industry's recovery. The conference and other business recovery only came in the latter part of the financial year.

Gallagher Convention Centre will be reinvesting in the business with major capex projects in the new financial year to ensure the Centre remains a leader in its field.

During FY2019, a strategic decision was made to bring the catering business that serves Gallagher Convention Centre in-house. This acquisition has proven to be the right choice, considering that the catering component accounted for a significant portion of the revenue.

With ongoing load-shedding, which has had a knock-on effect on the water supply and the ability of the business to run as usual, Gallagher had pre-emptively installed a 1 million litre back-up water tank to ensure business continuity. This has proven to be a great asset and an absolute necessity with the excessive number of water outages suffered in the Midrand area during the past 4 years. In addition, Gallagher has 7 generators that supply full backup power to the property, ensuring that there are no interruptions in the operation of the business or the events that are hosted.



Shell House Apartheid Museum



Mixed Use - The Point, Sea Point

## LA CONCORDE

### LA CONCORDE HOLDINGS LIMITED ("La Concorde")

La Concorde has three operational assets, being Laborie Heritage Wine Estate ("Laborie"), a retail property precinct and an interest in Paarl Valley Bottling Company ("PVB").

Laborie is being redeveloped into a hospitality and recreational destination, offering restaurants, wine tasting, wedding and conferencing facilities and accommodation. The accommodation offering was increased, with additional rooms being completed during August 2022 and the opening of a new restaurant. The upcoming year will see further investment in the expansion of the accommodation and reinvestment in the existing accommodation to maintain Laborie's high quality offering. As at the end of the financial year, Laborie had commenced with the

installation of a 120 kWp solar installation. At the date of writing this installation had been completed.

The retail property precinct offers local residents with retail access to Builders Express, Food Lovers Market, Seattle Coffee and Diamond Liquors. This offering has been expanded with La Concorde completing the erection of the Sportman's Warehouse and Outdoor Warehouse ("SW and OW") building at the retail precinct. SW and OW commenced trading in August 2022. La Concorde has plans to develop the remaining land at the precinct and have commenced negotiations with potential tenants.

The PVB plant had a good year, it bottled 2.6 million cases and achieved an EBITDA of R21.1 million, for its financial year ended 30 January 2023.



### ALPHAWAVE GOLF PROPRIETARY LIMITED ("Alphawave")

[www.inrangegolf.com](http://www.inrangegolf.com)

FY 2023 was successful on many fronts for Inrange Golf. The business grew revenues by 35% and costs remained well controlled. Operating costs exceeded expectations due to delays in sites going live through Q3 which weighed on revenues and cash spend. Q4, however, showed significant acceleration where the business ended the year in positive EBITDA territory, which was an important milestone to achieve. There was a material increase in the number of operating bays, profitability of existing sites, as well as the expansion of the geographical footprint, which sets the business up for further growth in FY2024.

Key focus for FY2023, other than general revenue growth, was in building the Inrange brand and executing on certain flagship sites across tier-1 locations in North America, UK and South East Asia. The targets have been achieved with large, entertainment-focused sites now live in the US, Indonesia, UK and the Netherlands. Projects are underway in Korea and Canada. The first high-profile golf course adjacent installation is in progress at BethPage in New York State. The year ahead will be focused on further growth and focus in tier-1 locations as well as increasing traction in some tier 2 locations in Australia, India and the Netherlands. An increasing trend of customers looking to upgrade from competitor technology to Inrange is continuing to add to the business's addressable market.



### GRIPP ADVISORY PROPRIETARY LIMITED ("GRiPP")

[www.grippadvisory.co.za](http://www.grippadvisory.co.za)

GRiPP has been operational since April 2018, with presence in Johannesburg, Cape Town and Durban, to serve its national client base. As an advisory and consulting company, GRiPP focuses on providing services that focus on Governance, Risk Management, Internal Audit, Information Technology Audit, Investigations, and Regulatory Compliance.

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. The company seeks clients and staff that are aligned with the purpose, to improve the governance, risk management, and internal control environment of its client organisations with the vision to thereby increase their shareholder value and stakeholder confidence levels.

GRiPP is committed to the transformation and social imperatives of the communities within which it operates and partners with the HCI Foundation on key initiatives and also maintains a two-year learnership programme which directly contributes to the creation of new employment opportunities in the advisory and consulting sector for the youth.

# BOARD OF DIRECTORS



John Copelyn



Rob Nicolella



Kevin Govender



Yunis Shaik



Laurelle McDonald



Mohamed Ahmed



Freddie Magugu



Jabu Ngcobo



Rachel Watson



Elias Mphande



Nqobani Mkhwanazi-Sigege

## EXECUTIVE DIRECTORS

### JOHN COPELYN (72)

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 Limited, eMedia Holdings Limited and Tsogo Sun Limited and associate company Southern Sun Limited which are listed on the Johannesburg Stock Exchange.

### ROB NICOLELLA (54)

Financial Director  
CA (SA)

Rob is a chartered accountant and has attended a leadership and development programme 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 Southern Sun Limited and Frontier Transport Holdings Limited. Rob was appointed to the board in May 2019 as an executive director and as financial director from August 2019.

### KEVIN GOVENDER (52)

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 Limited, eMedia Holdings Limited and Frontier Transport Holdings Limited. 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 (66)

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 Limited and a director of Deneb Investments Limited, eMedia Holdings Limited and Tsogo Sun Limited. Yunis was appointed to the board of HCI in August 2005 as a non-executive director.

## NON-EXECUTIVE DIRECTORS

### LAURELLE McDONALD (41)

CA (SA)

Laurelle is the chief financial officer of Southern Sun Limited. She completed her articles at Grant Thornton in 2006. Laurelle has been employed within the Tsogo Sun Group from 2007 as Corporate Finance and Treasury Manager. Upon its unbundling from Tsogo, she has served as chief financial officer of Southern Sun Limited. Laurelle was appointed to the board of HCI as a non-executive director in March 2020.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### MOHAMED AHMED (58)

Chairperson: Audit and risk committee  
B.Compt

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

### FREDDIE MAGUGU (64)

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.

### JABU NGCOBO (72)

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 Southern Sun Limited and HCI Coal Proprietary Limited ("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.

### RACHEL WATSON (64)

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

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

### ELIAS MPHANDE (64)

Chairperson  
Elec. Eng. (dip)

Elias was appointed as the independent 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 Limited, Tsogo Sun Limited 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.

### NQOBANI MKHWANAZI-SIGEGER (39)

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.

# 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 ("the 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 Coal Proprietary Limited, HCI Managerial Services Proprietary Limited, HCI's property division, La Concorde Holdings Limited and GRIPP Advisory 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 the external auditor 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 2022 AGM to serve until the next AGM scheduled for 1 September 2023. 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 the 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 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:

- Risk of deterioration in economic environment in South Africa, including:
  - electricity supply constraints and load-shedding with the increased risk of grid collapse which is:
    - affecting business confidence and resulting in additional costs of business for subsidiary companies; and
    - resulting in insurers placing exclusions on policies in respect of damages and losses directly or indirectly relating to the failure of the grid;
  - the negative effects of South Africa having been placed on the grey list of countries by The Financial Action Task Force ("FATF") due to its structural deficiencies in combating money laundering, terrorism financing and illicit financial flows; and
  - political tension with the United States of America and European Union countries relating to the war between Russia and Ukraine:
    - the risk of secondary or indirect sanctions being imposed on South Africa as highlighted by the South African Reserve Bank; and
    - the risk of reduction of trade by customers from the United States of America and European Union, coupled with the risk of the removal of access to preferential trading benefits under the African Growth and Opportunity Act ("AGOA"), for companies operating in the motor manufacturing sector.

# REPORT OF THE AUDIT AND RISK COMMITTEE

(Continued)

- Policy uncertainty/regulatory changes, including with regard to:
  - compliance with changing B-BBEE and Employment Equity regulations;
  - compliance with beneficial ownership disclosure regulations in relation to Anti-Money Laundering and Combating Terrorism Financing legislation;
  - finalisation of digital terrestrial television migration;
  - changes in tobacco legislation impacting the casino industry; and
  - oil and gas exploration rights in South Africa.
- 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 due to load-shedding and water shortages;
  - commodity price risk for 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 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.

## Information technology (IT) governance:

The IT environment of subsidiary companies is reported on to the committee on a regular basis. The HCI executive committee assumes responsibility for IT governance at head office level and the level of preparedness is submitted for review to the committee. IT has limited scope at a group level and the company has therefore substantially outsourced its IT functions to a credible service provider via a service level agreement.

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 whistleblowing:

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, became 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 committee 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](http://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 2023 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;
- 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 2023 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 2023;
- 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:

- impairment testing of casino licenses and goodwill;
- valuation of Investment Properties; and
- investment in Associate – Southern Sun Limited – impairment assessment.

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

- impairment assessment of investments in subsidiaries.
- confidence that the internal control system and governance structures that have been put in place, have operated effectively during the year.

## Sustainability reporting:

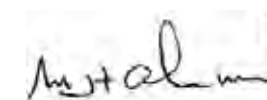
The committee considered the company's sustainability information and has assessed its consistency with operational and other information known to committee members. The committee is satisfied that the sustainability information is reliable and consistent with the financial results.

## 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 external 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 AGMs 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 2023 and, based on the information provided to the committee, the committee recommends the adoption of the integrated annual report by the board.



MH Ahmed  
Chairperson: Audit and Risk Committee  
26 July 2023

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 disadvantaged 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.

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

PRINCIPLE 3:

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

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
- the Group’s Broad-Based Black Economic Empowerment (B-BBEE) strategy.

A full report of the social and ethics committee is included in the integrated report on pages 57 to 68.

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 significant 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 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

# KING IV™ REPORT BY PRINCIPLE

FOR THE YEAR ENDING 31 MARCH 2023 (Continued)

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 an acquisition or disposal is in line with the corporate vision; evaluates, reviews the business plans, the associated 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 2023, the board was comprised of eleven members which include four executive directors and seven non-executive directors. Six 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 2023, 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 2023, comprised of 82% 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 memorandum of incorporation and the Act. A brief CV of each director standing for election or re-election at the annual general meeting is included on page 2 of the notice of 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 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 when needed, timely coordination of meetings, and avoiding duplication or fragmented functioning to the greatest extent possible. Board and Committee meetings of HCI and the subsidiary companies are coordinated to maximize efficiency, reduce travel and accommodation costs, and minimize the company's carbon footprint.

Each board committee is led by a different independent non-executive director of the board. The board of the company consists of six 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 during FY2023 did not raise any material matters that require remedial action. It was noted that all directors are expected to keep up to date with relevant legislation; the company secretary forwards 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,

# KING IV™ REPORT BY PRINCIPLE

FOR THE YEAR ENDING 31 MARCH 2023 (Continued)

the board does not abdicate its responsibilities.

The executive committee 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 significant 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 value drivers which include market share indices and performance against budget. 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. No specific risk tolerance levels have been set at the group level with each investment opportunity being considered on its own merit. The setting of risk tolerance levels is considered at the subsidiary board level, as appropriate.

Subsidiary investment companies are responsible to implement an appropriate risk management policy and process thereby implementing an effective risk management system. 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.

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 and risk committee, on a regular basis.

The HCI executive committee assumes responsibility for the governance of IT at the head office level and the level of preparedness is included for review by the audit and risk committee. IT has a limited scope at the group level and therefore HCI has substantially outsourced its IT function to credible 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 periodically and its compliance monitored.

To ensure adequate protection of the internal and external network, regular vulnerability assessments are conducted. Similarly, routine technical reviews take place to ensure infrastructure and systems are safeguarded against emerging threats and vulnerabilities. The board receives frequent updates on IT security and governance to continually enhance HCI's cybersecurity stance. Security, disaster recovery and data management are also essential focuses for HCI.

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 risks ensuring sufficient resilience for business operations.

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 and the executive management of HCI are represented on all the boards of significant 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.

# KING IV™ REPORT BY PRINCIPLE

FOR THE YEAR ENDING 31 MARCH 2023 (Continued)

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 29<sup>th</sup> August 2022 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, and 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 been 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 2023, 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 Hosken Consolidated Investments' ("HCI") 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 FY2023 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;
- 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

# REPORT OF THE REMUNERATION COMMITTEE

(Continued)

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 53 to 56.

On 31 March 2023, 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 the 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 prolonged 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. In 2019 HCI benchmarked the fees against the 50% median of the market for comparable companies utilising the PWC REMchannel national survey. The board has not deemed it necessary for a further review of the non-executive directors' fees.

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 55 and 56 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 highlights and key decisions taken for FY2023 were as follows:

- increase of headline earnings from R1 069 million in FY2022 to R1 658 million;
- increase in market capitalisation to R16.2 billion (FY2022: R9.5 billion) without increasing the number of shares in issue;

- the successful management and reduction of debt at HCI and the business entities without damage to growth prospects;
- sale of Business Systems Group ("BSG");
- capital investments by HCI of R568 million into Impact Oil and Gas; and
- numerous legal matters including:
  - successful challenge of Minister's extension of Bargaining Agreement in the Transport Unions to non-parties;
  - the Constitutional Court setting aside of the government decree to switch off analogue broadcasting prematurely (now settled);
  - successful interdict of the removal by MultiChoice of the four eMedia entertainment channels from the DSTV platform pending decision on whether this represents an abuse of a dominant platform (ongoing)
  - successful arbitration with Glendal for R132 million refund; and
  - defending the interdicts brought against Impact Oil and Gas in respect of the 3D seismic acquisition programme commenced by Impact and Shell in the Transkei area (ongoing).

*Long-term incentive scheme:*

In line with the prior year the committee awarded share options to management in December 2022.

No outstanding share options granted to management were exercised during the year.

*Non-executive fees:*

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

The proposed fee structure payable to non-executive directors from the 1 September 2023 to the following annual general meeting is presented in the table below. Also see Special Resolution Number 2 on pages 6 and 7 in the Notice of Meeting.

| Position                              | Actual fee 2022 | Proposed fee 2023 |
|---------------------------------------|-----------------|-------------------|
|                                       | 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 reports and the non-binding advisory vote on the remuneration implementation report was approved by 91.76%; 97.94%; 99.10% and 95.99% respectively of the voting rights exercised at the annual general meeting held on the 29 August 2022. 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.



# REPORT OF THE REMUNERATION COMMITTEE

(Continued)

## 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.

|                                      | 2023                    |                                   | 2022                    |                                   |
|--------------------------------------|-------------------------|-----------------------------------|-------------------------|-----------------------------------|
|                                      | Number of share options | Weighted average exercise price R | Number of share options | Weighted average exercise price R |
|                                      |                         |                                   |                         |                                   |
| Balance at the beginning of the year | 3 347 526               | 65.28                             | 3 535 677               | 77.39                             |
| Options granted                      | 365 497                 | 158.39                            | 1 226 753               | 69.44                             |
| Options that became unconditional    | ( 699 129)              | 88.22                             | ( 830 705)              | 117.78                            |
| Options forfeited                    | -                       | -                                 | ( 584 199)              | 72.64                             |
| Balance at the end of the year       | 3 013 894               | 71.25                             | 3 347 526               | 65.28                             |

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 56% (2022: 45%) and an annual interest rate of 7.0% (2022: 3.75%). 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 R169.30 (2022: R80.00).

The options issued in terms of the Scheme and outstanding at 31 March 2023 become unconditional between the following dates:

|                                     | Number of share options | Exercise price R |
|-------------------------------------|-------------------------|------------------|
| 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            |
| 1 December 2025 and 1 June 2026     | 8 107                   | 158,39           |
| 18 December 2025 and 18 June 2026   | 700 435                 | 49,30            |
| 1 December 2026 and 1 June 2027     | 349 284                 | 158,39           |
| 13 December 2026 and 13 June 2027   | 401 049                 | 69,44            |
| 1 December 2027 and 1 June 2028     | 8 106                   | 158,39           |
|                                     | 3 013 894               |                  |

A maximum number of 2 152 190 (2022: 2 313 172) shares may be issued in respect of 3 013 894 (2022: 3 347 526) 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 7 733 763 (2022: 7 572 781) shares may be utilised by the Scheme. 365 497 (2022: 1 226 751) options were issued in terms of the Scheme during the year and nil shares were delivered to participants (2022: nil).

|                                            | 2023                    |                                   | 2022                    |                                   |
|--------------------------------------------|-------------------------|-----------------------------------|-------------------------|-----------------------------------|
|                                            | Number of share options | Weighted average exercise price R | Number of share options | Weighted average exercise price R |
| OPTIONS GRANTED TO EXECUTIVE DIRECTORS     |                         |                                   |                         |                                   |
| JA Copelyn                                 |                         |                                   |                         |                                   |
| Balance at the beginning of the year       | 860 194                 | 64,60                             | 820 039                 | 79,12                             |
| Options granted                            | 81 255                  | 158,39                            | 290 379                 | 69,44                             |
| Options expired                            | ( 190 451)              | 87,71                             | ( 250 224)              | 117,78                            |
| Balance at the end of the year             | 750 998                 | 68,89                             | 860 194                 | 64,60                             |
| Unconditional between the following dates: |                         |                                   |                         |                                   |
| 29 August 2022 and 28 February 2023        | -                       | -                                 | 190 451                 | 87,71                             |
| 13 December 2024 and 13 June 2025          | 96 793                  | 69,44                             | 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                             | 96 793                  | 69,44                             |
| 18 December 2025 and 18 June 2026          | 189 682                 | 49,30                             | 189 682                 | 49,30                             |
| 1 December 2026 and 1 June 2027            | 81 255                  | 158,39                            | -                       | -                                 |
| 13 December 2026 and 13 June 2027          | 96 793                  | 69,44                             | 96 793                  | 69,44                             |
| JR Nicolella                               |                         |                                   |                         |                                   |
| Balance at the beginning of the year       | 464 560                 | 65,47                             | 430 678                 | 78,30                             |
| Options granted                            | 42 233                  | 158,39                            | 150 925                 | 69,44                             |
| Options expired                            | ( 116 459)              | 87,71                             | ( 117 043)              | 117,78                            |
| Balance at the end of the year             | 390 334                 | 68,89                             | 464 560                 | 65,47                             |
| Unconditional between the following dates: |                         |                                   |                         |                                   |
| 29 August 2022 and 28 February 2023        | -                       | -                                 | 116 459                 | 87,71                             |
| 13 December 2024 and 13 June 2025          | 50 309                  | 69,44                             | 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                             | 50 308                  | 69,44                             |
| 18 December 2025 and 18 June 2026          | 98 588                  | 49,30                             | 98 588                  | 49,30                             |
| 1 December 2026 and 1 June 2027            | 42 233                  | 158,39                            | -                       | -                                 |
| 13 December 2026 and 13 June 2027          | 50 308                  | 69,44                             | 50 308                  | 69,44                             |
| TG Govender                                |                         |                                   |                         |                                   |
| Balance at the beginning of the year       | 406 410                 | 66,49                             | 364 232                 | 77,27                             |
| Options granted                            | 35 250                  | 158,39                            | 125 970                 | 69,44                             |
| Options expired                            | ( 115 866)              | 87,71                             | ( 83 792)               | 117,78                            |
| Balance at the end of the year             | 325 794                 | 68,89                             | 406 410                 | 66,49                             |
| Unconditional between the following dates: |                         |                                   |                         |                                   |
| 29 August 2022 and 28 February 2023        | -                       | -                                 | 115 866                 | 87,71                             |
| 13 December 2024 and 13 June 2025          | 41 990                  | 69,44                             | 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                             | 41 990                  | 69,44                             |
| 18 December 2025 and 18 June 2026          | 82 287                  | 49,30                             | 82 287                  | 49,30                             |
| 1 December 2026 and 1 June 2027            | 35 250                  | 158,39                            | -                       | -                                 |
| 13 December 2026 and 13 June 2027          | 41 990                  | 69,44                             | 41 990                  | 69,44                             |

# REPORT OF THE REMUNERATION COMMITTEE

(Continued)

|                                            | 2023                    |                                   | 2022                    |                                   |
|--------------------------------------------|-------------------------|-----------------------------------|-------------------------|-----------------------------------|
|                                            | Number of share options | Weighted average exercise price R | Number of share options | Weighted average exercise price R |
| <b>Y Shaik</b>                             |                         |                                   |                         |                                   |
| Balance at the beginning of the year       | 366 902                 | 64.38                             | 352 194                 | 79.32                             |
| Options granted                            | 34 985                  | 158.39                            | 125 026                 | 69.44                             |
| Options expired                            | ( 78 536)               | 87.71                             | ( 110 318)              | 117.78                            |
| Balance at the end of the year             | 323 351                 | 68.89                             | 366 902                 | 64.38                             |
| Unconditional between the following dates: |                         |                                   |                         |                                   |
| 29 August 2022 and 28 February 2023        | -                       | -                                 | 78 536                  | 87.71                             |
| 13 December 2024 and 13 June 2025          | 41 676                  | 69.44                             | 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                             | 41 675                  | 69.44                             |
| 18 December 2025 and 18 June 2026          | 81 670                  | 49.30                             | 81 670                  | 49.30                             |
| 1 December 2026 and 1 June 2027            | 34 985                  | 158.39                            | -                       | -                                 |
| 13 December 2026 and 13 June 2027          | 41 675                  | 69.44                             | 41 675                  | 69.44                             |

## Directors' shareholdings

|                                | Direct beneficial |           | Indirect beneficial |           | Associates |           |
|--------------------------------|-------------------|-----------|---------------------|-----------|------------|-----------|
|                                | Number            | % holding | Number              | % holding | Number     | % holding |
| <b>2023</b>                    |                   |           |                     |           |            |           |
| <b>Executive directors</b>     |                   |           |                     |           |            |           |
| JA Copelyn*                    | -                 | -         | 6 490 077           | 7.6       | 7 906 901  | 9.2       |
| JR Nicolella                   | 152 097           | 0.2       | -                   | -         | 13 235     | -         |
| TG Govender                    | -                 | -         | 17 250              | -         | 915 534    | 1.1       |
| Y Shaik                        | 66 755            | 0.1       | -                   | -         | -          | -         |
| <b>Non-executive directors</b> |                   |           |                     |           |            |           |
| JG Ngcobo                      | 1 750             | -         | -                   | -         | -          | -         |
| L McDonald                     | 1 100             | -         | -                   | -         | -          | -         |
|                                | 221 702           | 0.3       | 6 507 327           | 7.6       | 8 835 670  | 10.3      |
| <b>2022</b>                    |                   |           |                     |           |            |           |
| <b>Executive directors</b>     |                   |           |                     |           |            |           |
| JA Copelyn                     | -                 | -         | 6 490 077           | 7.6       | 7 906 901  | 9.2       |
| JR Nicolella                   | 152 097           | 0.2       | -                   | -         | 13 235     | -         |
| TG Govender                    | -                 | -         | 17 250              | -         | 915 534    | 1.1       |
| Y Shaik                        | 75 475            | 0.1       | -                   | -         | -          | -         |
| <b>Non-executive directors</b> |                   |           |                     |           |            |           |
| JG Ngcobo                      | 1 750             | -         | -                   | -         | -          | -         |
| L McDonald                     | 1 100             | -         | -                   | -         | -          | -         |
|                                | 230 422           | 0.3       | 6 507 327           | 7.6       | 8 835 670  | 10.3      |

\* An associate of JA Copelyn acquired 590 000 shares in the Company on 1 June 2023.

Other than as noted there were no changes in directors' shareholdings between 31 March 2023 and the date of issue of this report.

|                                 |     | Board fees R'000 | Salary R'000 | Other benefits R'000 | Share-based payment expense R'000 | Bonus R'000 | Total R'000 |
|---------------------------------|-----|------------------|--------------|----------------------|-----------------------------------|-------------|-------------|
| <b>DIRECTORS' EMOLUMENTS</b>    |     |                  |              |                      |                                   |             |             |
| <b>Year ended 31 March 2023</b> |     |                  |              |                      |                                   |             |             |
| <b>Executive directors</b>      |     |                  |              |                      |                                   |             |             |
| JA Copelyn                      |     | -                | 8 623        | -                    | 7 045                             | 6 467       | 22 135      |
| JR Nicolella                    |     | -                | 5 276        | 102                  | 3 733                             | 3 496       | 12 607      |
| TG Govender                     |     | -                | 2 244        | -                    | 3 193                             | 1 459       | 6 896       |
| Y Shaik                         |     | -                | 4 455        | -                    | 3 019                             | 2 896       | 10 370      |
| <b>Non-executive directors</b>  |     |                  |              |                      |                                   |             |             |
| MH Ahmed                        | (1) | 808              | -            | -                    | -                                 | -           | 808         |
| MF Magugu                       | (2) | 447              | -            | -                    | -                                 | -           | 447         |
| L McDonald                      |     | 354              | -            | -                    | -                                 | -           | 354         |
| SNN Mkhwanazi-Sigege            |     | 354              | -            | -                    | -                                 | -           | 354         |
| VE Mphande                      | (3) | 1 415            | -            | -                    | -                                 | -           | 1 415       |
| JG Ngcobo                       | (4) | 651              | -            | -                    | -                                 | -           | 651         |
| R Watson                        | (5) | 1 494            | -            | -                    | -                                 | -           | 1 494       |
|                                 |     | 5 523            | 20 598       | 102                  | 16 990                            | 14 318      | 57 531      |

- (1) Includes R177 042 audit and risk committee fees and R277 000 board fees paid by subsidiary companies
- (2) Includes R93 092 remuneration committee fees
- (3) Includes R1 061 000 board fees paid by subsidiary companies
- (4) Includes R66 621 audit and risk committee fees, R66 621 remuneration committee fees, R43 800 social and ethics committee fees and R120 000 board fees paid by subsidiary companies
- (5) Includes R66 621 audit and risk committee fees, R66 621 remuneration committee fees, R43 800 social and ethics committee fees and R963 000 board fees paid by subsidiary companies

# REPORT OF THE REMUNERATION COMMITTEE

(Continued)

|                                 |     | Board fees<br>R'000 | Salary<br>R'000 | Other<br>benefits<br>R'000 | IFRS 2<br>expense<br>R'000 | Bonus<br>R'000 | Total<br>R'000 |
|---------------------------------|-----|---------------------|-----------------|----------------------------|----------------------------|----------------|----------------|
| <b>DIRECTORS' EMOLUMENTS</b>    |     |                     |                 |                            |                            |                |                |
| <b>Year ended 31 March 2022</b> |     |                     |                 |                            |                            |                |                |
| <b>Executive directors</b>      |     |                     |                 |                            |                            |                |                |
| JA Copelyn                      |     | -                   | 8 158           | -                          | 7 075                      | 4 589          | 19 822         |
| JR Nicoella                     |     | -                   | 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          |
| <b>Non-executive directors</b>  |     |                     |                 |                            |                            |                |                |
| 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



MF Magugu  
Chairperson: Remuneration Committee  
26 July 2023

# 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 2023.

## 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 58 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 Ngcobo  
Chairperson - Social and Ethics Committee  
26 July 2023

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

(Continued)

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 is committed to 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 the Union to run substantial social programmes for its members. We view ourselves as pioneers of Black Economic Empowerment and believe that broad-based groupings like ourselves represent the essence of the B-BBEE project.

| Element                              | Maximum score | 2020  | 2021  | 2022  | 2023  |
|--------------------------------------|---------------|-------|-------|-------|-------|
| Ownership                            | 25.00         | 25.00 | 25.00 | 25.00 | 25.00 |
| Management control                   | 19.00         | 13.81 | 13.98 | 14.73 | 14.71 |
| Skills development                   | 20.00         | 14.84 | 8.97  | 11.77 | 13.91 |
| Enterprise and Supplier Ddevelopment | 40.00         | 37.77 | 37.44 | 41.46 | 40.19 |
| Socio-economic development           | 5.00          | 5.00  | 5.00  | 5.00  | 5.00  |
| Overall score                        | 111.00        | 96.42 | 90.39 | 97.96 | 98.81 |
| B-BBEE certification                 |               | 2     | 2     | 2     | 2     |

DIVERSITY POLICY

In line with HCI's gender and race diversity policy, which aims to ensure that the board comprises of at least 25% female directors and will at all times have a majority of directors who are “black people” as defined in the B-BBEE Act 2003 as amended, at 31 March 2023 the board comprised of 27% women (2022: 27%) and 82% of the directors are classified as “black people” (2022: 82%).

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

In our latest B-BBEE verification, HCI comprised of 78.54% black ownership (2022: 81.0%), 50.48% black women ownership (2022: 46.06%) and 8.71% ownership from designated groups (2022: 13.82%). Black beneficiaries of Broad-Based Ownership Schemes accounted for 39.13% of ownership (2022: 43.82%).

In the latest B-BBEE verification, we maintained our level 2 contributor status with 125% procurement recognition, having received 98.81 points on the B-BBEE scorecard (2022: 97.96 points) out of a total of 111 points available..

The B-BBEE certificate is published on our website, [www.hci.co.za](http://www.hci.co.za).

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, HCI is focused on minimising its environmental impact through limiting Greenhouse Gas (“GHG”) emissions, water usage and water discharges. We have made progress in this regard by prioritising the implementation of energy and water efficiency projects and solar power.

In addition, we have identified and managed climate- and water-related risks and opportunities. On an annual basis, our companies are requested, through a formal process, to report on environmental risks and opportunities. In the formal risk assessment, companies determine the likelihood, timeline and magnitude of impact for each risk and opportunity. The magnitude encompasses size and scope of impact and speaks to the financial impact that the risk or opportunity is likely to have on the business. This is determined at

company-level as the size and scope of each risk and opportunity are particular to each company. When these risks and opportunities are aggregated at group-level, the magnitude is further aggregated and reassessed by HCI. When reassessed, each risk and opportunity is considered in context and the financial impact that the risk or opportunity is likely to have on HCI is evaluated. All risks and opportunities are prioritised in relation to each other on this basis. This includes climate- and water-related risks and opportunities and other risks and opportunities.

Our carbon and water footprints are calculated on an annual basis. We continue to improve the accuracy and comprehensiveness of our calculations to ensure that our reporting is accurate and transparent. As per last year, we report to the Carbon Disclosure Project (“CDP”) on climate change and water security. The recommendations of the Task Force on Climate-related Financial Disclosures are integrated into our response to the Climate Change Carbon Disclosure Project which we continue to respond annually to on both climate change and water security. Our submissions are available on the CDP website ([www.cdp.net/en](http://www.cdp.net/en)) for more information on our response to both climate change and water security. In the last response, we retained our “B” rating, placing us above the global average for climate change disclosure and in line with the global average for water disclosure.

Given that climate- and water-related issues are cross-cutting in nature, the HCI Board has ultimate responsibility for climate-related issues. HCI's carbon and water footprints for 2023 are reported as follows:

Carbon Footprint:

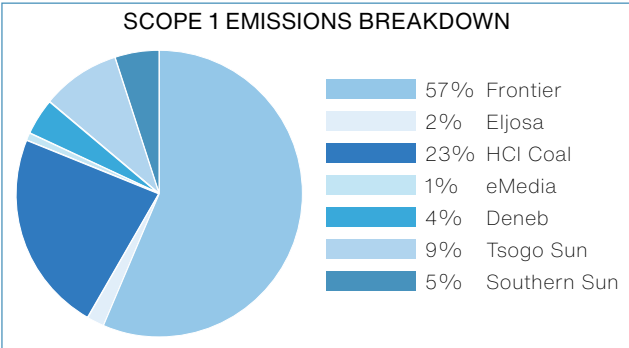
HCI continues to calculate its carbon footprint in line with best practice. It uses the Greenhouse Gas (“GHG”) Protocol's Corporate Accounting and Reporting Standard and emission factors from the Intergovernmental Panel on Climate Change (“IPCC”) 2006 Guidelines. For operations in South Africa, it also uses some local conversion factors from the South African Department of Forestry, Fisheries and Environment (“DFFE”). Those entities that are required to report to DFFE on their emissions continue to do so on an annual basis to ensure compliance with the National GHG Emission Reporting Regulations.

For the 2023 financial year, HCI's Scope 1 and 2 emissions were 373 947 tonnes of Carbon Dioxide equivalent (tCO<sub>2</sub>e). Scope 1 emissions refer to emissions from activities that are under our operational control or those of our subsidiaries. They include, for example, burning of diesel in vehicles and generators. Our Scope 2 emissions refer to our emissions associated with the use of purchased electricity.

The main contributors to HCI's Scope 1 emissions

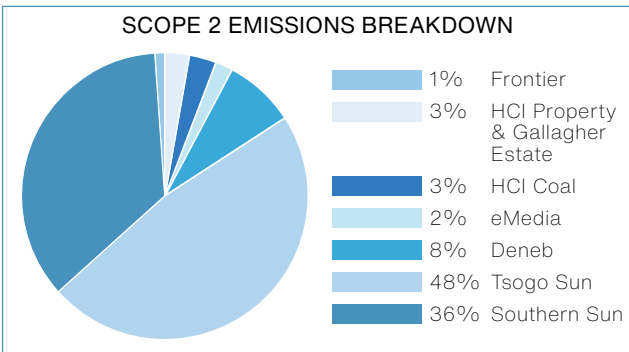
are Frontier Transport Holdings (“Frontier or FTH”), HCI Coal, Tsogo Sun and Southern Sun.

- Frontier was responsible for 59% of HCI's Scope 1 emissions. The major source of Scope 1 emissions for Frontier is the diesel consumed by the buses used by Golden Arrow Bus Services (“GABS”);
- HCI Coal was responsible for 23% of HCI's Scope 1 emissions. Diesel is used in the mining vehicles; and
- Tsogo Sun's and Southern Sun's contribution increased to 14% this year as a result of increased diesel used to generate electricity during loadshedding.



The main contributors to HCI's Scope 2 emissions are Tsogo Sun, Southern Sun and Deneb.

- Tsogo Sun and Southern Sun were responsible for 84% of HCI's Scope 2 emissions in the 2023 financial year. Electricity is used in the casinos and hotels for heating, ventilation and air-conditioning, lighting, water heating, appliances, and gaming machines.
- Deneb was responsible for 8% of HCI's Scope 2 emissions. The entities within Deneb responsible for a large portion of Deneb's Scope 2 emissions are Formex Industries, Integrated Polypropylene Products, Custom Extrusion and Brits Non-Woven. These manufacturing companies use electricity to power machinery in the various production processes.

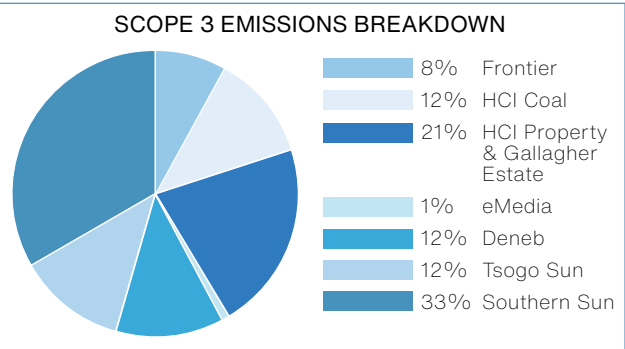


HCI also reports on its Scope 3 emissions which are emissions that occur in our value chain. An example is the emissions associated with the tenants in subsidiary properties that are leased to third parties. The main contributors to HCI's Scope 3 emissions, which totaled 157 579 tCO<sub>2</sub>e for the year under review, are Tsogo

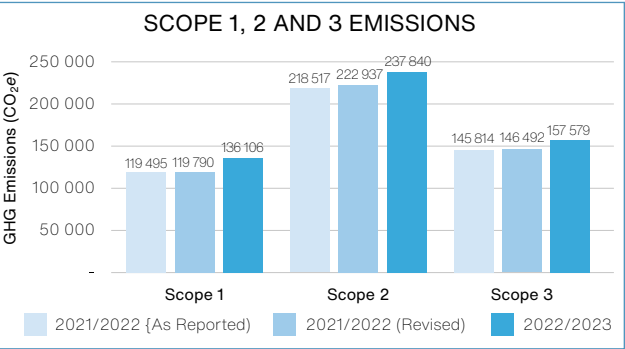
# REPORT OF THE SOCIAL AND ETHICS COMMITTEE

(Continued)

Sun, Southern Sun, HCI Properties and Gallagher, Deneb and HCI Coal.



Every year, we restate our prior year emissions, considering various changes in our subsidiaries such as acquisitions, divestments and improved data accuracy. This allows for a more accurate year-on-year comparison. Our restated and current GHG emissions are as follows:



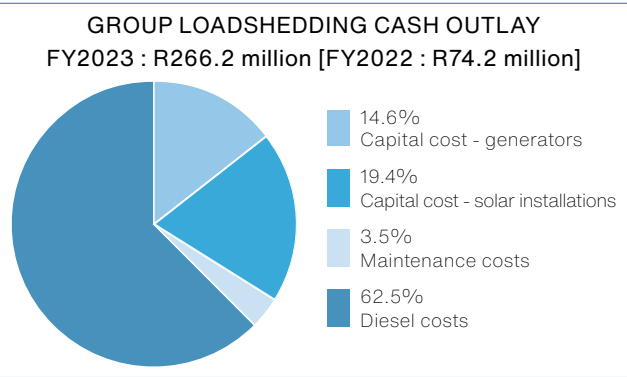
There was an overall increase of 8% year-on-year in our GHG emissions over the restated emissions from the prior year. The majority of this increase resulted from an increase in our Scope 1 emissions.

In the 2023 financial year, South Africa had the worst levels of loadshedding the country had ever experienced with South Africans being exposed to loadshedding for an unprecedented number of days. Currently, South Africans face loadshedding on a regular basis as demand for electricity outstrips supply and the country continues to strive to maintain a balance between energy supply and demand to avoid shortages or disruptions. Electricity availability and accessibility play a pivotal role in economic development, growth, and sustainability. As such, the lack of electricity availability has become a constraint to economic growth, impacting negatively on the country's GDP.

Loadshedding has also impacted the HCI's subsidiaries in the reporting period. To mitigate the effects of this loadshedding on business, our subsidiaries invested in both diesel generators, to meet demand in the immediate term, and solar power. Needing to remain operational and provide both products and services to customers, our subsidiaries had to run their diesel generators more

frequently. Diesel consumed in generators increased by over 360%.

The cost of running back-up power supply and diesel needed to run the generators exceeded R188 million, an increase of over 260% since the prior year. Compared to using lower cost grid electricity, the impact on HCI's subsidiaries was R155 million, an increase of 320% from the prior year. This includes only the depreciation of capital investment in generation capacity incurred since 2022. This is money that could have been invested elsewhere, contributing towards growth instead of sustaining the status quo.



The use of diesel generators also increased our Scope 1 emissions by over 11 000 tCO<sub>2</sub>e. This increase is despite many of our subsidiaries having invested in solar power.

- GABS has solar power plants at six of its depots, totaling over 1.7 MW;
- Two Deneb entities, Vega Properties and Premier Rainwater Goods, also have solar power plants;
- During the year under review, 2.5 MW of solar was installed at Montecasino by Tsogo Sun and an additional 1.8 MW is being added;
- Silverstar and Garden Route Casinos also have solar power plants that went live at the end of the 2022 financial year. Both power plants generated over 1 million kWh of renewable energy in the 2023 financial year; and
- More solar installations are planned going forward as our subsidiaries aim to increase energy security, reduce costs and reduce GHG emissions.



Some of the increase in our emissions is also due to growth. Many of our subsidiaries reported a continued increase in business activity throughout the year following the post COVID period. As our subsidiaries grow, they focus on growing in an energy efficient manner which reduces both their GHG emissions and expenditure. Energy efficiency projects implemented in the reporting period include:

- Chiller plants - replacement and optimisation of chiller plants;
- Water heating - replacement of electric geysers with centralised heat pump plants;
- Lighting - installation of LED lighting;
- Motors and pumps - installation of Variable Speed Drives; and
- Awareness creation - continued awareness creation activities to encourage stakeholders to conserve energy.

Across the subsidiaries, over 100 energy efficiency projects were implemented, saving in excess of an estimated 3 MW.

Many of our subsidiaries are focused on offering products and services that assist customers to reduce their GHG emissions. GABS, for example, currently operates a contract for scheduled passenger bus services administered by the Western Cape Department of Transport and Public Works. Using public transport in place of personal vehicles reduces GHG emissions.

Not only does GABS assist customers to reduce their emissions, but its efforts are also directed at helping South Africa achieve its climate commitments. Under the Paris Agreement, South Africa has committed to keeping emissions to a range of 350-420 Mt CO<sub>2</sub>e by 2030. The South African cabinet has approved a goal to reduce GHG emissions to net zero by 2050. To achieve this, President Cyril Ramaphosa established the Presidential Climate Commission ("PCC") which is working on the 'Just Energy Transition.' The Just Energy Transition focuses on the 'transition of South Africa's energy sector as the country navigates the shift away from coal towards cleaner sources of energy whilst ensuring that the lives and communities that are tied to high-emitting energy industries (e.g., coal) are not left behind in the shift towards a low emissions economy. The energy transition must be fair and perceived to be fair.' Electric vehicles are one of the priorities identified by the PCC, with a focus on converting public transport and private vehicles to electric.

In line with this, over the past few years, GABS has been involved in testing electric buses. It partnered with BYD and uYilo to test two 100% electric buses for a 12-month period. The buses were tested in a range of circumstances to gather learnings on electricity usage

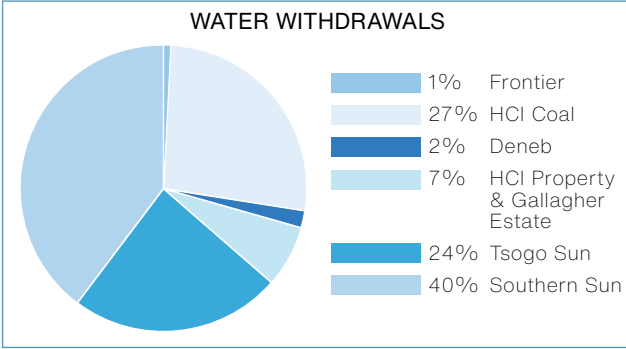
under different conditions, charge time between trips, possible scheduling challenges as a result of charge times, maintenance needs, battery degradation and other general operational challenges compared to the currently used diesel-powered buses. Testing was successful and one electric bus has been incorporated into GABS' day-to-day operations, carrying passengers between Retreat and Cape Town. The second bus has not yet received its homologation papers. GABS has also been working with manufacturers to either assemble, or build, electric buses in South Africa. GABS has a target to introduce 60 electric buses into its scheduled service during 2024 or early 2025. Transitioning from diesel to more renewable forms of energy is a priority for GABS.



## Water Footprint:

Our water withdrawals amounted to 3 555 million litres (ML) in the reporting period. In line with the definition of water withdrawals from the CDP, we capture water drawn into the boundaries of the subsidiaries from all sources (including surface water, ground water, rainwater, and municipal water supply) for any use.

The major contributors to the water withdrawals were Southern Sun, HCI Coal and Tsogo Sun.



- Southern Sun and Tsogo Sun were responsible for 63% of HCI's water withdrawals. Water is used for food preparation, drinking, garden irrigation, pools and fountains and in bathrooms and kitchens.
- HCI Coal was responsible for 27% of HCI's water withdrawals. Water is extracted from the opencast pit, boreholes and rainwater.

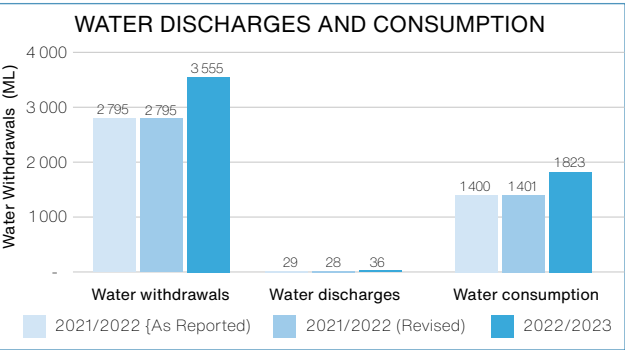
There was a 27% increase in water withdrawals this

# REPORT OF THE SOCIAL AND ETHICS COMMITTEE

(Continued)

- year, predominantly associated with increases in water withdrawals for Southern Sun, Tsogo Sun and HCI Coal.
- Southern Sun and Tsogo Sun reported increased activity, operating hours, and occupancy as post COVID recovery continues;
  - Tsogo Sun also acquired the Emerald Casino Resort in the reporting year; and
  - Increases for HCI Coal were due to more rain (leading to higher extraction rates from the pit) and high recharge rates.

HCI also reports on water discharges and consumption. Water discharges are a measure of effluent discharged. Water consumption is defined as water that is used but not returned to its original source such as water that becomes part of the product or is evaporated.



G

R

O

W

Generate water recycling opportunities for the future of mankind

Generate awareness around water savings and re-use initiatives

Generating discussion in relation to water re-use and water savings

Generating work and job opportunities in the water sector

Generate education and training programmes on water

Recycle existing water resources in the industrial and manufacturing sectors

Re-use existing grey and black water resources in the domestic sector

Research opportunities to use old and new technologies to save water

Repeat water education programmes

Re-visit old workings. designs and plans to save and re-use water

Opportunities - water recycling opportunities exist everywhere.

Organize - organize and separate water streams - let us look at possibilities for you.

Operate water re-use facilities intelligently - we teach these skills

Optimise water usage - We show you how

Water is and will always remain the original source of life

Water resources are under severe threat around the globe and serious intervention is needed to avert international disaster.

We are in the forefront of water purification savings and re-use initiatives

Welcome to our WaterWorld. We add value.

Our subsidiaries continue to prioritise water efficiency opportunities. Examples of initiatives include replacement of cooling towers, installation of water usage controls such as pressure controls, awareness creation activities and rainwater harvesting. Southern Sun, for example, implemented 47 water initiatives, saving an estimated 258 856 kilolitres (kL) of water.

We also continue to offer our customers opportunities to reduce water consumption through the likes of Blue Reef Water Solutions (“Blue Reef”), a Deneb investment, which offers customers water efficiency solutions. Blue Reef has developed a unique ‘GROW’ programme which is designed to help customers achieve greater efficiencies than ever before. By applying a forward-thinking approach and customising our products where necessary, we continue to improve recycling volumes.

Globally, the world attempts to recycle solids by separating paper, plastic, glass and metal into separate containers for efficient handling, but when it comes to water, it is still the norm to mix it all together prior to possible treatment and discharge.

By separating process and wastewater streams into different zones, it is possible to separate “good” water from “bad” water and treat each stream based on its qualitative merits. However, when mixing it all together, treatment becomes more difficult, more complex and increasingly expensive.

# CORPORATE SOCIAL INVESTMENT



HCI FOUNDATION (“Foundation”)

[www.hcifoundation.co.za](http://www.hcifoundation.co.za)

## BUILDING THRIVING AND SUSTAINABLE COMMUNITIES

The HCI Foundation is committed to investing in local communities through our dedicated beneficiary organisations which support community members to address their own self-identified needs.

These community-based initiatives address a wide range

of social issues, with the aim of achieving long-term increased security and sustainability. The impact of some of the sterling work being done under our three main focus areas of Environment, Education, and Youth and Skills Development is highlighted in this year’s report.

## ENVIRONMENT

Through its Environment focus area, the HCI Foundation assists communities to become more sustainable via two key programmes, the Access to Clean Water Programme and the Sustainable Food Security Initiative.

### Access to Clean Water Programme

#### Innovation Africa

Since 2008, Innovation Africa has used cutting edge solar and water technology to deliver access to clean water and electricity to over 4 million people in rural areas across 10 African countries. In 2021, the Foundation and Innovation Africa earmarked 6 Hluhluwe villages that were in urgent need of clean water. Located in the Umkhanyakude district of KwaZulu-Natal, these villages relied on polluted rivers or open water sources, that are often dry in droughts. Cwakeme village has been the first recipient of the solar-powered boreholes and attendant technology with communal taps. Now that successful prospecting and water drilling has been completed, building of the water systems is ongoing in 4 other villages, including Koqhoqhoqho, Ezitobhini, Gogiyane and Izintabane village. These solar-powered boreholes and attendant technology will be completed and officially handed over to the respective communities before the end of this year. The remaining village is expected to receive its solar-powered borehole next year.

On completion of these projects, the approximately 21 900-strong population of the six villages that make up Hluhluwe, will have benefited by this project.



### Sibongile M's story

Sibongile is 64 years old. She and her family of 5 children and 7 grandchildren live in Cwakeme village. Before installation of the new borehole for Cwakeme, it took women and children hours to fetch water from the closest water source.

Sibongile can now fetch the water she uses for drinking, cooking, household chores and watering her new vegetable garden from the village tap. She says that the garden will help feed her family as all her children are unemployed and the whole family relies on her SASSA grant. Sibongile has planted beetroot, spinach, onions and carrots and she tends her crops carefully every day. Before she had the vegetable garden, even growing a few flowers was impossible. Having access to clean water closer to their homes has improved the lives of everyone in the community, as even the older women are able to collect water from the taps.



CORPORATE SOCIAL INVESTMENT  
(Continued)

Sustainable Food Security

The Foundation's Sustainable Food Security Initiative has shown steady development over the two years since its inception.

|                   |                           |                             |                  |
|-------------------|---------------------------|-----------------------------|------------------|
| 1132              | 51                        | 59                          | R5 503 305       |
| Number of farmers | Number of hectares farmed | Number of community gardens | Value of produce |

The amount of land used for community gardens alone has grown from 48 hectares in 2022 to 51 hectares in 2023. In addition to the 59 community gardens there are 433 household gardens which produce food primarily for immediate family needs.

In line with the Sustainable Food Security Initiative goals, in the second year of the programme we have seen a steady growth in income generated from the sale of produce. On average, farmers are generating R1 500 per month, which supplements their SASSA grant and improves their families' self-reliance and nutrition, as well as that of the community as a whole.

Buhle Farmers Academy

From their campus in Delmas, Mpumalanga, Buhle Farmers Academy trains, mentors and supports new farmers to help them become self-sustaining. In the second year of the Sustainable Food Security Initiative, a strong focus on developing market access to generate income has led to a need for infrastructural development for the processing, packaging and storage of fresh food to supply to local business partners like Spar, Boxer and Megazone supermarkets. Marketing training has also paid off and the farmers now see huge potential for securing greater access to formal markets as long as they can guarantee the quality of their produce.



Zamokuhle Shongwe, Executive Director of Buhle Farmers Academy, comments that when we look at what we can do together to help build communities, an investment like the HCI Foundation's Sustainable Food Security Initiative assists in three ways: first by helping build food security in communities; second by creating stable and dignified jobs within communities; and finally by helping to create wealth through farming from available agricultural land.

Buhle farmers' stories

The feedback from some of Buhle's farmers endorses this view. Amos, who is part of the Too Fresh Cooperative says, "With the garden being my everyday job, I rely on it for feeding my family so this project is really helpful." His farming colleague from Too Fresh Cooperative, Nora, goes further when she says, "Being able to supply Spar made me realise anything is possible if we pursue it. I was able to fix my van which helps us with deliveries and I am also able to pay my grandchild's daycare fees." Thoko from Zimisele Cooperative adds, "I have learned a lot from the project, we were just planting and did not know or understand how fertilizers work but now I know what NPK (Nitrogen(N), Phosphorus(P) and Potassium (K)) – the three primary nutrients plants need to grow – means, and how we apply fertilizers.

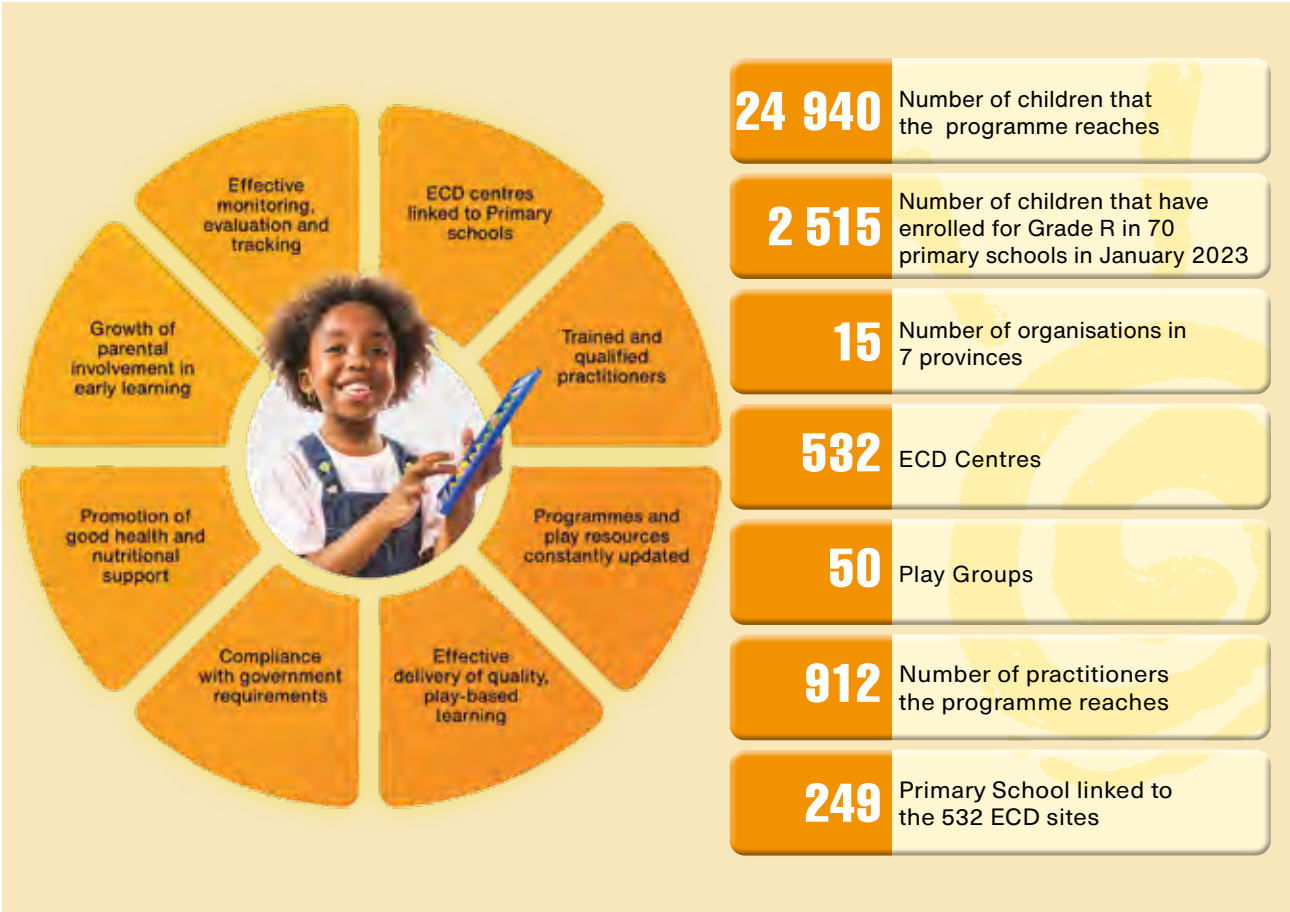


EDUCATION

Excellence in Early Childhood Development

The HCI Foundation's Excellence in ECD model has been in operation since 2021. At the heart of this initiative are eight indicators of success, reached through consultation with the Foundation's 15 ECD partners. For partner organisations, other benefits of the eight-point model –

which includes increased parental involvement, tracking of learners, promotion of good health and nutrition and linking ECD centres to local primary schools - have been the shared structure for implementation and common goals to work towards.



Ntataise Lowveld Trust

The Ntataise Lowveld Trust provides high quality play-training and support, alongside a range of age-appropriate play equipment and materials, to ECD centres in the Mpumalanga Lowveld area. Playbased learning is fundamental for children's development.

Ntataise's results speak for themselves. Tracking of children from ECD centres confirms that their Grade R performance is more advanced when compared with children who come straight from home. In addition, children who are part of the organisation's Home Visiting and Playgroups Programmes also do better when compared with their peers.

Trainee stories

The experiences of some of the women who have participated in Ntataise's training programmes to achieve their NQF Level 4 qualification show how the eight indicators for Excellence in ECD underpin both holistic support for children and growth for practitioners.

"The facilitators visited us at our respective ECD centres and showed us how to correctly lay out a classroom so that it is stimulating to the child. We learnt many things including (how to make) improvised educational resources."

Eden Mabila

# CORPORATE SOCIAL INVESTMENT

(Continued)

“Ntataise Lowveld taught me how to run a daily programme, how to improvise, how to adapt toys, how to scaffold and how to plan activities according to different themes.”

*Thembi Shabangu*

“Ntataise Lowveld taught me a lot of things. I learned why it was important to use age-appropriate materials as well as design activities for each age-group.....the institution taught me about scaffolding; that you help children by supporting them through their learning from what they already know or are familiar with.”

*Nomonde Mhlongo*

“Ntataise Lowveld has played a major role in my life and career as I am now a qualified ECD practitioner and a proud owner of an ECD centre.”

*Nokubongu Mhlongo*

In the year ahead, the HCI Foundation will continue to assist Ntataise Lowveld to support teachers in the classroom as they prepare children for formal schooling.




## Tertiary - Bursaries and Mentorship

Our Mentorship Programme provided one-on-one mentoring to 75 of our bursary students in the 2022 academic year. The safe space which mentors provide allows mentees to grow academically and personally as well as develop as young professionals. This holistic experience increases skills and confidence, leading to better prospects for employment.

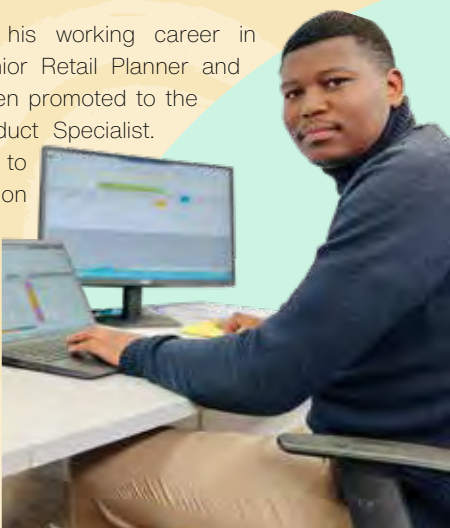
*Samantha and Malusi's story*

Samantha Croft is the Operations Director for Southern Sun in KwaZulu-Natal and has been mentoring Foundation bursary recipients since 2014. She mentored Malusi Zondi for his final year at university in 2022. In her experience, mentoring post-graduate students is mostly about “being there when a mentee needs me.” She has found senior students to be more aware of the responsibility of becoming leaders in their various fields, so different leadership styles and issues around management are often of particular interest to them. “They see our growth as an organisation and this gives them a goal, as well as someone to bounce ideas off” she says, adding, “It is inspiring when I see people adding value as Malusi has, by becoming a mentor.”

Malusi Zondi explains why his mentoring experience led him to become a mentor. Being mentored by Samantha “was a very positive experience. She was present and available, and by teaching me stuff and allowing me to learn as much as I could, opened up the space for me to become a great communicator.” Malusi says he

often played a mentoring role while still at school, and continues, “Success is not only about my personal success but also about paying it forward. I like to play a more important role, which is my way of passing it down to someone else and helping them become the best version of themselves – aware, open and a great human.”

Malusi started his working career in 2022 as a Junior Retail Planner and has recently been promoted to the position of Product Specialist. He continues to follow his passion of lending a helping hand to others and is currently mentoring one of our bursary recipients.



## YOUTH AND SKILLS DEVELOPMENT

### Grace Vision

Grace Vision's Rural Eyecare Programme works across the O. R. Tambo District of the rural Eastern Cape, offering a comprehensive eye service to community members of all ages.

After community members are screened for eye conditions and visual problems, free prescription spectacles and reading glasses are provided to anyone who needs them, while free surgery eliminates blindness caused by cataracts, benefiting the whole community by helping to restore the dignity and independence of recipients of surgery. Children whose eye problems have been identified and corrected do much better at school, which opens up the possibility of a brighter future for them and their families.

*Inamandla's story*

Inamandla was first seen by Grace Vision at a school screening programme. He was born blind, but it wasn't until his condition was diagnosed early as treatable ‘congenital cataracts’ that his family had any hope of him being able to see. He underwent successful surgery at the age of 6 and today Inamandla has normal vision, allowing him to study and play alongside other children at school as well as join in with all family and community activities. His mother Zanele says, “He is so happy, he can watch TV now!”

Donovan Thorrold, CEO of Grace Vision, has this to say about Inamandla's treatment: “He has made the transition to seeing very well. He seemed withdrawn before, but even his face looks different now as he runs around and plays football and other games with the children.”

Inamandla is now in Grade 1 and in Donovan's view, the biggest gain for him and his family will be his ability to benefit from an education now that he can see. Donovan continues, “Early identification of eye problems makes a big difference. In this area there really is no eyecare, so to see people of all ages get glasses and become more independent really is a lifelong change which has a huge impact on the whole community.”



### Community Transport Support Programme

The long-running and much-loved Community Transport Support Programme is a shared initiative between Golden Arrow Bus Services and the HCI Foundation, where access to transport gives community groups exposure to educational and recreational activities like sports events, visits to museums, theatres, arts and science centres,

This year, in the Western Cape, we supported:

108

Organisations

802

Buses

58 090

People

6 340

Comprehensive eye examinations

16 137

Pre and Primary school learners screened

194

Free cataract surgeries performed



Grassroots Educare Trust

Grassroots Educare Trust is a community-based training organisation whose mission is to facilitate access to quality Early Childhood Development services, providing a safe, secure and stimulating environment for all young children. Grassroots has been an active member of the Community Transport Support programme since 1974 when the first outing from Bonteheuwel took place.

Mareldia Tape, the Director of Grassroots, has worked in the ECD sector since 1979. She says that year after year, without fail, Grassroots hears from the 350 ECD leaders who participate in their annual orientation meeting, how beneficial outings are for children from the poorest of poor communities. “Outings are the highlight of children’s lives” Mareldia says, “when all they know is home and pre-school.” She continues, “When they go to the beach front and feel the wet sand and let sea-water run through their fingers, their senses are engaged and this does marvels for their motor development. You see a different child when that child is on an outing.” She adds, “The children call the drivers ‘Teacher’ and the drivers love it.” Grassroots remains deeply grateful to the drivers who give their time so that children can have these early life experiences.

191

ECD centres from around Cape Town townships benefited from the programme

1 285

Teachers participated

11 867

Children bussed to various places of interest i.e. Two Oceans Aquarium and The Science Centre

Abdul Matthews’ story

Abdul Matthews has worked for Golden Arrow Bus Services for 30 years and is now a chief operator for the Company. He remembers the early 1990s when the country was transitioning and there was a strong feeling in the bus company that buses should go out into the community. In the early days of the GABS involvement in the Community Transport programme, he had the moving personal experience of being the driver for a group of children from the same crèche in Bonteheuwel he attended as a child. That crèche gave him his first stepping-stone in life; recalling an outing to Mnandi Beach when he was about 6 years old he says, “It was a long drive and I couldn’t sleep the night before.

Going out was just a highlight and the driver was a hero and father figure for the day.”



GOING FORWARD

These are just some examples of how the organisations with which we partner build community capacity through the work they do. In the year ahead, the HCI Foundation will remain committed to its core focus areas of Environment,

Education and Youth Development. It will also continue supporting partner organisations and their community members as they strive to achieve their collective goal of increasingly sustainable livelihoods and thriving communities.

1. Nature of business

Hosken Consolidated Investments Limited (“HCI”) 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 investing 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 33 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 48 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 45 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 36 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 2023 the board comprised of eleven members which included four executive directors, one non-executive director and six 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 chairperson 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             | 4                        | 4                     |
| JA Copelyn           | 4                        | 4                     |
| TG Govender          | 4                        | 4                     |
| MF Magugu            | 4                        | 4                     |
| L McDonald           | 4                        | 4                     |
| SNN Mkhwanazi-Sigege | 4                        | 4                     |
| VE Mphande (chair)   | 4                        | 4                     |
| JG Ngcobo            | 4                        | 4                     |
| JR Nicolella         | 4                        | 4                     |
| Y Shaik              | 4                        | 4                     |
| RD Watson            | 4                        | 4                     |

9. Dividends

An interim dividend of 50 cents per HCI share was paid on 28 December 2022. Due to the company’s ongoing funding commitments in relation to its interest in the oil and gas prospects offshore Namibia and the requirement to preserve the company’s cash resources, no final dividend was declared for 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”. 82% of the members of the board are classified as “black”.

12. Company secretary

HCI Managerial Services Proprietary Limited held the office of the company secretary for the 12 months

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2023 (Continued)

ended 31 March 2023. 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.

13. Financial director

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

14. Auditor

Subject to shareholder approval, Mazars will be appointed as the company's external auditor for the 2024 financial year in accordance with section 90 of the South African Companies Act, with Yolande Ferreira as the designated auditor.

15. Auditor's report

The consolidated and separate 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 financial statements is included on pages 10 to 17 of the annual financial statements.

16. Significant shareholders

The company's shareholders that own more than 5% of the issued shares are the Southern African Clothing and Textile Workers Union, Cheersley Investments Proprietary Limited and Squirewood Investments 64 Proprietary Limited who own 24.7%, 7.6% and 5.3% respectively. No shareholder has a controlling interest in the company.

17. Special resolutions

The following special resolutions were passed by the company's shareholders at the annual general meeting of shareholders held on 29 August 2022:

- 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 September 2022 until the next annual general meeting of the company;
  - 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; and
  - general authorisation of financial assistance to the extent required by sections 44 and 45 of the Act, the board of directors of the company may, subject to compliance with the requirements of the company's MOI and the Act, authorise the company to provide direct or indirect financial assistance by way of a loan, guarantee, the provision of security or otherwise, subject to the provisions as set out in the resolution.

18. Special resolutions of subsidiaries

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

19. 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 2023 are set out in the remuneration report in the integrated annual report on page 53 and in notes 40 and 39 of the annual financial statements, respectively.

20. Directors' emoluments

Directors' emoluments incurred by the company and its subsidiaries for the year ended 31 March 2023 are set out in note 41 of the annual financial statements.

21. Subsidiaries

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

22. 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.

23. Litigation statement

The directors are not aware of any legal or arbitration proceedings (including proceedings which are pending or threatened) that may have a material impact on the financial position of HCI for the 12 months after 31 March 2023.

24. 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 on 25 May 2023.

25. Events subsequent to reporting date

Events that occurred subsequent to the reporting date are set out in note 47 of the annual financial statements.

26. Going concern

The consolidated and separate annual financial statements of the company have been prepared on the basis of accounting policies applicable to a going concern. This basis assumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The company and other group entities were in compliance with all debt covenants imposed by funders during the current year (refer to note 19 of the annual financial statements). The directors are not aware of any circumstances whereby the company or group will not be able to meet their covenant requirements for the year ended 31 March 2024. Cash flow forecasts and available cash resources of the group and company were considered by the directors and they are of the view that all entities within the group have access to sufficient resources and liquidity to meet their obligations as they fall due and to continue operations as a going concern for the foreseeable future. The directors are not aware of any material changes that may adversely impact the company or the group.

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.

[Signature of VE Mphande]

VE Mphande
Chairperson

[Signature of JA Copelyn]

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

## Type of shareholder

| Share Range                                    | Number of shareholders | % of current shareholders | Number of shares | % of Issued Capital |
|------------------------------------------------|------------------------|---------------------------|------------------|---------------------|
| Banks and custodians                           | 88                     | 2.2                       | 13 259 442       | 15.5                |
| Close corporations                             | 15                     | 0.4                       | 25 468           | 0.0                 |
| Individual                                     | 2 933                  | 74.2                      | 23 749 430       | 27.8                |
| Other corporation. Investment companies        | 199                    | 5.0                       | 5 152 828        | 6.0                 |
| Pension. Provident. Retirement and other funds | 385                    | 9.8                       | 8 585 663        | 10.0                |
| Private company                                | 124                    | 3.1                       | 29 462 906       | 34.5                |
| Public company                                 | 15                     | 0.4                       | 1 925 767        | 2.2                 |
| Trust                                          | 195                    | 4.9                       | 3 459 144        | 4.0                 |
|                                                | 3 954                  | 100.0                     | 85 620 648       | 100.0               |

## Range of holdings

|           |                    |       |       |            |       |
|-----------|--------------------|-------|-------|------------|-------|
| 1         | – 1000 shares      | 3 162 | 80.0  | 481 987    | 0.6   |
| 1 001     | – 10 000 shares    | 505   | 12.8  | 1 673 544  | 2.0   |
| 10 001    | – 50 000 shares    | 164   | 4.2   | 3 862 257  | 4.5   |
| 50 001    | – 100 000 shares   | 45    | 1.1   | 3 241 845  | 3.8   |
| 100 001   | – 500 000 shares   | 53    | 1.3   | 11 478 396 | 13.4  |
| 500 001   | – 1 000 000 shares | 12    | 0.3   | 8 552 356  | 10.0  |
| 1 000 001 | – shares and over  | 13    | 0.3   | 56 330 263 | 65.7  |
|           |                    | 3 954 | 100.0 | 85 620 648 | 100.0 |

## Shareholdings greater than 5%

Southern African Clothing and Textile Workers Union  
 Cheersley Investments Proprietary Limited  
 Squirewood Investments 64 Proprietary Limited\*

\* Treasury shares

|                                                     | 2023 | 2022 |
|-----------------------------------------------------|------|------|
| Southern African Clothing and Textile Workers Union | 24.7 | 26.0 |
| Chearsley Investments Proprietary Limited           | 7.6  | 7.6  |
| Squirewood Investments 64 Proprietary Limited*      | 5.3  | 5.3  |
|                                                     | 37.6 | 38.9 |

## Shareholder spread

|                         | Percentage held |       | Number of shareholders |       |
|-------------------------|-----------------|-------|------------------------|-------|
|                         | 2023            | 2022  | 2023                   | 2022  |
| Public                  | 51.5            | 50.2  | 3 136                  | 3 291 |
| Non public              | 48.5            | 49.8  | 17                     | 17    |
| Directors               | 7.9             | 7.9   | 6                      | 6     |
| Associates of directors | 10.3            | 10.3  | 6                      | 6     |
| Significant shareholder | 24.7            | 26.0  | 1                      | 1     |
| Share trust             | 0.2             | 0.2   | 1                      | 1     |
| Foundation              | -               | -     | 1                      | 1     |
| Treasury shares*        | 5.4             | 5.4   | 2                      | 2     |
|                         | 100.0           | 100.0 | 3 153                  | 3 308 |

## Stock exchange performance

|                                      | 31 March 2023 |
|--------------------------------------|---------------|
| Total number of shares traded ('000) | 26 589        |
| Total value of shares traded (R'000) | 4 501 652     |
| Market price (cents per share)       |               |
| - High                               | 20 600        |
| - Low                                | 11 167        |
| - Closing                            | 20 089        |
| Market capitalisation (R'000)        | 16 246 002    |

# SUMMARISED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

\* Restated for discontinued operations

# SUMMARISED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

## CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

|                                                                                                                                | Audited<br>31 March<br>2023<br>R'000 | Audited<br>31 March<br>2022<br>R'000 |
|--------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|--------------------------------------|
| Profit for the year                                                                                                            | 5 078 708                            | 3 202 222                            |
| Other comprehensive income net of tax:                                                                                         |                                      |                                      |
| <i>Items that will subsequently be reclassified to profit or loss</i>                                                          |                                      |                                      |
| Foreign currency translation differences                                                                                       | 596 944                              | ( 66 555)                            |
| Cash flow hedge reserve                                                                                                        | 28 656                               | 136 278                              |
| Share of other comprehensive (losses)/income of equity-accounted investments                                                   | ( 12 996)                            | 21 154                               |
| Reclassification of equity-accounted foreign currency translation reserves on disposal and dilution of interests in associates | -                                    | 1 277                                |
| <i>Items that will not subsequently be reclassified to profit or loss</i>                                                      |                                      |                                      |
| Actuarial gains on post-employment benefit liabilities                                                                         | 9 681                                | 6 333                                |
| Fair value adjustments on equity instruments designated at fair value through other comprehensive income                       | 121 335                              | 139 844                              |
| Share of other comprehensive income/(losses) of equity-accounted investments                                                   | 432                                  | ( 355)                               |
| Total comprehensive income                                                                                                     | 5 822 760                            | 3 440 198                            |
| Attributable to:                                                                                                               |                                      |                                      |
| - Equity holders of the parent                                                                                                 | 3 874 154                            | 2 179 540                            |
| - Non-controlling interest                                                                                                     | 1 948 606                            | 1 260 658                            |
|                                                                                                                                | 5 822 760                            | 3 440 198                            |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

## RECONCILIATION OF HEADLINE EARNINGS

|                                                                                                    |          | Audited<br>31 March 2023<br>Gross<br>R'000 | Net<br>R'000 | Audited<br>31 March 2022<br>Gross<br>R'000 | Net<br>R'000 |
|----------------------------------------------------------------------------------------------------|----------|--------------------------------------------|--------------|--------------------------------------------|--------------|
|                                                                                                    | % change |                                            |              |                                            |              |
| Earnings attributable to equity holders of the parent                                              | 54.3     |                                            | 3 207 067    |                                            | 2 078 572    |
| Impairment of goodwill                                                                             |          | -                                          | -            | 4 247                                      | 3 491        |
| Losses/(gains) on disposal of property                                                             |          | 33 410                                     | 6 880        | ( 10 762)                                  | ( 4 087)     |
| Losses/(gains) on disposal of plant and equipment                                                  |          | 398                                        | ( 123)       | ( 7 095)                                   | ( 3 005)     |
| Impairment of property, plant and equipment                                                        |          | 142 905                                    | 50 616       | 23 489                                     | 14 146       |
| Reversal of impairment of assets                                                                   |          | ( 2 409 030)                               | ( 874 548)   | ( 630 246)                                 | ( 233 495)   |
| Losses/(gains) on disposal of subsidiaries                                                         |          | 3 557                                      | 1 780        | ( 38 603)                                  | ( 38 603)    |
| Gains on disposal of interests in associates                                                       |          | ( 25 398)                                  | ( 25 398)    | -                                          | -            |
| Gains on changes in holdings of equity-accounted investments                                       |          | ( 32 567)                                  | ( 31 353)    | ( 138 557)                                 | ( 138 557)   |
| Foreign currency translation reserves recycled on disposal and dilution of interests in associates |          | -                                          | -            | 1 277                                      | 1 277        |
| Reversal of impairment of associates and joint arrangements                                        |          | ( 754 954)                                 | ( 694 222)   | ( 756 929)                                 | ( 696 929)   |
| Losses on disposal of intangible assets                                                            |          | -                                          | -            | 9                                          | 8            |
| Impairment of intangible assets                                                                    |          | 249 950                                    | 91 130       | 193 220                                    | 70 306       |
| Gains on disposal of investment properties                                                         |          | ( 14 080)                                  | ( 11 001)    | ( 5 526)                                   | ( 4 286)     |
| Fair value adjustments on investment properties                                                    |          | ( 80 295)                                  | ( 54 091)    | 26 593                                     | 15 392       |
| Impairment of right-of-use assets                                                                  |          | 5 455                                      | 1 268        | -                                          | -            |
| Insurance claims for capital assets                                                                |          | ( 22 934)                                  | ( 13 567)    | ( 22 698)                                  | ( 8 812)     |
| Remeasurements included in equity-accounted earnings of associates and joint arrangements          |          | ( 10 447)                                  | 3 940        | 13 698                                     | 13 104       |
| Headline earnings                                                                                  | 55.2     |                                            | 1 658 378    |                                            | 1 068 522    |

# SUMMARISED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

## RECONCILIATION OF HEADLINE EARNINGS (Continued)

|                                                                                            | % change | Audited<br>31 March 2023 |                 | Audited<br>31 March 2022 |              |
|--------------------------------------------------------------------------------------------|----------|--------------------------|-----------------|--------------------------|--------------|
|                                                                                            |          | Gross<br>R'000           | Net<br>R'000    | Gross<br>R'000           | Net<br>R'000 |
| Basic earnings per share (cents)                                                           |          |                          |                 |                          |              |
| Earnings/(losses)                                                                          | 54.3     |                          | <b>3 965.71</b> |                          | 2 570.26     |
| Continuing operations                                                                      |          |                          | <b>3 973.97</b> |                          | 2 572.30     |
| Discontinued operations                                                                    |          |                          | <b>( 8.26)</b>  |                          | ( 2.04)      |
| Headline earnings/(losses) per share (cents)                                               | 55.2     |                          | <b>2 050.67</b> |                          | 1 321.28     |
| Continuing operations                                                                      |          |                          | <b>2 056.31</b> |                          | 1 315.56     |
| Discontinued operations                                                                    |          |                          | <b>( 5.64)</b>  |                          | 5.72         |
| Weighted average number of shares in issue ('000)                                          |          |                          | <b>80 870</b>   |                          | 80 870       |
| Actual number of shares in issue at the end of the year<br>(net of treasury shares) ('000) |          |                          | <b>80 870</b>   |                          | 80 870       |
| Diluted earnings per share (cents)                                                         |          |                          |                 |                          |              |
| Earnings/(losses)                                                                          | 51.7     |                          | <b>3 896.66</b> |                          | 2 568.01     |
| Continuing operations                                                                      |          |                          | <b>3 904.78</b> |                          | 2 570.04     |
| Discontinued operations                                                                    |          |                          | <b>( 8.12)</b>  |                          | ( 2.03)      |
| Headline earnings/(losses) per share (cents)                                               | 52.6     |                          | <b>2 014.97</b> |                          | 1 320.12     |
| Continuing operations                                                                      |          |                          | <b>2 020.51</b> |                          | 1 314.40     |
| Discontinued operations                                                                    |          |                          | <b>( 5.54)</b>  |                          | 5.72         |
| Weighted average number of shares in issue ('000)                                          |          |                          | <b>82 303</b>   |                          | 80 941       |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

# SUMMARISED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

## SEGMENTAL ANALYSIS

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

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

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

\* Restated for discontinued operations

## SEGMENTAL ANALYSIS (Continued)

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

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

\* Restated for discontinued operations

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

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

# SUMMARISED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

### BASIS OF PREPARATION AND ACCOUNTING POLICIES

The results for the year ended 31 March 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the disclosure requirements of IAS 34, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the South African Companies Act, 2008, and the Listings Requirements of the JSE Limited.

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

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

These summarised financial statement have been extracted from the audited financial statements but is not itself audited.

### GOING CONCERN

COVID-related restrictive measures had a severe impact on the economy and especially the hospitality industry. The operations of the Group worst affected were its gaming and hotel operations, which were unable to trade normally for extended periods of time during the 2022 comparative financial year. The Group's properties division has, to a lesser extent, also been impacted, the asset worst affected being the Gallagher exhibition and conference facilities.

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

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

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

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

### FAIR VALUE MEASUREMENT

#### Investment properties

##### Gaming

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

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

##### Properties

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

- net income growth rate of 3.7% – 9.8%;
- terminal capitalisation rate of 9% – 14.3%; and
- risk-adjusted discount rate of 14% – 18.5%.

#### Branded products and manufacturing

Fair value gains on investment properties relating to branded products and manufacturing amounted to R11 million in the current year. The fair values were determined by independent valuers using the income capitalisation method. The significant unobservable inputs were as follows:

- capitalisation rate of 8% – 9.8%; and
- vacancy rate of 0% – 3%.

Rental income and operating expenses were determined based on contractual and budgeted amounts for individual properties.

#### Financial asset at fair value through other comprehensive income

The Group has a 20% equity interest in each of SunWest International Proprietary Limited ("SunWest") and Worcester Casino Proprietary Limited ("Worcester"). The Group has pre-emptive rights but no representation on the board of directors of either company and has no operational responsibilities. The Group also has no access to any information regarding the companies except for

## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)

that to which it has statutory rights as a shareholder. These investments are classified as level 3 fair value measurements and have been accounted for as financial assets at fair value through other comprehensive income. At the end of each reporting period the investment is remeasured and the increase or decrease recognised in other comprehensive income.

The asset has been remeasured to R959 million at 31 March 2023, a R145 million increase. A discounted cash flow valuation was used to estimate the fair value. The reason for the fair value gain is the improved profitability of operations following the easing of the impact of the COVID pandemic.

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

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

### IMPAIRMENTS AND IMPAIRMENT REVERSALS

#### Intangible assets

Impairment reversals of R2 409 million are in respect of casino licences relating to the Group's gaming operations. Following the impairment of certain casino licences in the 2020 financial year and the ongoing easing of the impact of COVID on trade, the carrying amounts of casino licences were tested for impairment or reversals thereof. Discounted cash flow valuations were utilised for this purpose.

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

|              | R'million |
|--------------|-----------|
| Montecasino  | 813       |
| Suncoast     | 912       |
| Gold Reef    | 636       |
| The Ridge    | 37        |
| Garden Route | 11        |
| Total        | 2 409     |

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

|           | R'million |
|-----------|-----------|
| Emnotweni | 236       |

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

|            | R'million |
|------------|-----------|
| Hemingways | 124       |
| Goldfields | 17        |
| Total      | 141       |

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

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

#### Investments in associates and joint ventures

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

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

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

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

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

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

# SUMMARISED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)

### DISCONTINUED OPERATIONS AND DISPOSAL GROUPS HELD FOR SALE

#### Media and broadcasting

The results of certain non-core operations in the media and broadcasting segment are included in discontinued operations in the current and prior years, following the decision to exit those operations, and consists of a loss after tax of R3 million. Disposal group assets of R5 million and liabilities of R2 million relate to these operations.

#### Branded products and manufacturing

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

Investment properties of R133 million are classified as disposal group assets held for sale at the reporting date.

#### Properties

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

### BUSINESS COMBINATION

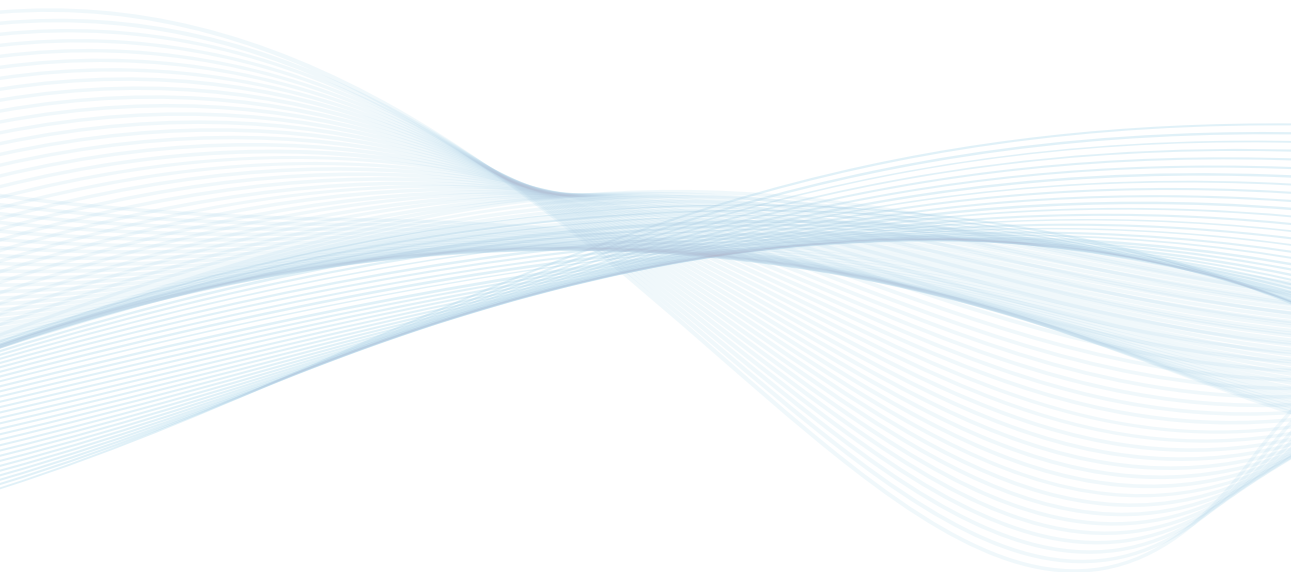
#### Gaming

Tsogo Sun ("TS") acquired an effective 55% shareholding in Emerald Safari Resort Proprietary Limited, effective 12 September 2022. The fair value of net assets acquired equated to the fair value of consideration paid and no goodwill was recognised. The acquired business contributed income of R193 million and profit after tax of R18 million to the Group from the date of acquisition to 31 March 2023. Had the acquisition been effective on 1 April 2022 the contribution to income would have been R350 million and profit after tax R20 million.

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

|                                         | R'million |
|-----------------------------------------|-----------|
| Non-current assets                      | (394)     |
| Current assets                          | (90)      |
| Non-current liabilities                 | 30        |
| Current liabilities                     | 55        |
| Net assets acquired                     | (397)     |
| Loan off-setting purchase consideration | 15        |
| Cash and cash equivalents acquired      | 62        |
| Net cash outflow                        | (320)     |

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



## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)

### RESULTS

#### GROUP STATEMENT OF PROFIT OR LOSS AND SEGMENTAL ANALYSIS

- Income increased by 20% to R22 899 million
- EBITDA increased by 13% to R5 639 million
- Profit before tax R6 708 million
- Headline earnings R1 658 million
- Headline earnings per share 2 051 cents

#### Media and broadcasting

The television and radio advertising markets have been impacted by persistent load-shedding during the current year. The Group's television and radio advertising revenue was stagnant, while its prime time market share increased from 34.1% to 34.5% during the current year, with an increase recorded mainly in the multi-channel operations. The Group's licence fee revenue decreased by 21%, as a result of a reduced fee agreed with MultiChoice South Africa, and facility revenue increased by 49% following a strong performance by Media Film Services. Active set top boxes have increased to 3 166 000 during the year. EBITDA decreased by 1%, with revenue gains set off by higher marketing costs, the impact of diesel usage during load-shedding and a negative variance of R24 million compared to prior-year foreign exchange-related valuation adjustments. Profit before tax contains no significant non-recurring items for which headline earnings had to be adjusted.

#### Gaming

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

the notes above. Headline earnings of R796 million includes an effective R144 million expense relating to the hotel management agreement cancellation fee. Excluding this, the contribution to group headline earnings would have been R940 million, an increase of 51% in comparison to the prior year.

#### Hotels

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

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

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

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

#### Transport

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

#### Properties

Properties' increase in revenue has significantly been the result of the improvement in trading at Gallagher

# SUMMARISED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)

Estate's convention and conferencing operations. Rental income decreased by 3%, the prior comparative period including income from the Olympus Village Mall and Westlake warehouse precinct, which were sold during the latter part of the prior financial year. The remaining portfolio's rental income increased by a healthy 7% during the current year (including 19% at The Point centre and 10% at the Whale Coast Village Mall). The improvement in EBITDA was mainly owing to the recovery of the Gallagher Estate convention and conferencing operations. Profit before tax includes upward fair value adjustments to investment properties of R71 million (downward adjustments of R19 million in 2022) and a R14 million investment surplus on the sale of land. The prior year included R36 million in hedge break costs incurred upon the restructuring of certain borrowings facilities. Finance costs therefore decreased by R21 million in the current year.

### Coal mining

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

### Branded products and manufacturing

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

### Oil and gas prospecting

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

### Palladium prospecting

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

### Other

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

### Notable items on the consolidated income statement include:

Investment income increased following the receipt of R52 million interest in respect of a settlement of dispute with Jindal Africa. R74 million in dividends was also received from the Group's interest in Sunwest and Worcester. Increased interest rates and cash balances resulted in higher interest income throughout the Group.

## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (Continued)

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

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

An investment surplus of R24 million was recognised on the minor dilution of the Group's interest in PGM, R80 million in respect of the settlement with Jindal Africa, R25 million on the disposal of the Group's interest in BSG and R14 million in respect of the sale of land by the properties division.

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

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

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

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

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

### GROUP STATEMENT OF FINANCIAL POSITION AND CASH FLOW

Group non-current borrowings at 31 March 2023 comprise central head office borrowings of R2 306 million (March 2022: R1 745 million), central investment property-related borrowings of R1 579 million (March 2022: R1 769 million), borrowings in TS of R8 380 million (March 2022: R7 400 million), and the remainder in other operating

subsidiaries. R64 million (March 2022: R2 279 million) in current borrowings relates to TS, R419 million (March 2022: R287 million) to central investment properties and R55 million (March 2022: R561 million) to central head office. Bank overdraft facilities include R50 million in TS, R30 million at head office and R67 million in Deneb (March 2022: R72 million, R187 million and R14 million, respectively).

Included in cash flows from investing activities is investments in associates of R525 million, all of which relates to IOG and a further preference share investment in Alphawave Golf of R41 million. R69 million was received on the disposal of the Group's interest in BSG Africa. R320 million was invested in the Emerald Casino by TS. R1 076 million was invested in property, plant and equipment, of which R542 million by TS, R168 million by HCI Coal, R230 million by Deneb and R94 million by eMedia. TS disposed of property, plant and equipment to the value of R160 million. Net funding of R1 250 million was repaid by TS and R117 million by Frontier Transport Holdings while R123 million was raised by eMedia and R138 million by Deneb.

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

### EVENTS SUBSEQUENT TO REPORTING DATE

The directors are not aware of any matter or circumstance arising between the reporting date and the date of this report that may affect the financial position as at the reporting date or the results for the year then ended, as contained in these summarised financial statements. Subsequent to the reporting date the Company concluded an agreement to sell its 10% interest in the Karoshhoek concentrated solar plant near Upington for R350 million. The transaction remains subject to various conditions precedent. The Group invested R376 million in IOG during April 2023 through a subscription for shares. It has committed to invest a further US\$27 million in August 2023. These investments have been agreed to fund the accelerated appraisal programme in respect of the Venus and Venus West oil prospects offshore Namibia.

# SHAREHOLDERS' DIARY

|                                  |                  |
|----------------------------------|------------------|
| Financial year-end               | 31 March 2023    |
| Annual general meeting           | 1 September 2023 |
| 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<br>PO Box 5251, Cape Town, 8000<br>Telephone: 021 481 7560                                                                                                                                                                                                                                                                                                                                                                            |
| WEBSITE ADDRESS:            | <a href="http://www.hci.co.za">www.hci.co.za</a>                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| COMPANY SECRETARY:          | HCI Managerial Services Proprietary Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| DIRECTORS:                  | <i>Executive Directors</i><br>John Anthony Copelyn (Chief Executive Officer)<br>Theventheran Govindsamy Govender (Kevin)<br>James Robert Nicolella (Financial Director)<br>Yunis Shaik<br><br><i>Independent Non-Executive Directors</i><br>Mohamed Haroun Ahmed<br>Mimi Freddie Magugu<br>Sinqumile Nqobani Njongwe Mkhwanazi-Sigege<br>Velaphi Elias Mphande (Chairperson)<br>Jabulani Geffrey Ngcobo<br>Rachel Doreen Watson<br><br><i>Non-Executive Directors</i><br>Laurelle McDonald |
| AUDITORS:                   | BDO South Africa Incorporated<br>Wanderers Office Park, 52 Corlett Drive, Illovo, 2196<br>Private Bag X10046, Sandton, 2146                                                                                                                                                                                                                                                                                                                                                                |
| BANKERS:                    | First National Bank of Southern Africa Limited                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| TRANSFER SECRETARIES:       | Computershare Investor Services Proprietary Limited<br>Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 South Africa<br>Private Bag X9000, Saxonwold, 2132                                                                                                                                                                                                                                                                                                                              |
| SPONSOR:                    | Investec Bank Limited<br>100 Grayston Drive, Sandton, Sandown, 2196                                                                                                                                                                                                                                                                                                                                                                                                                        |



Hosken Consolidated Investments Limited

INTEGRATED ANNUAL REPORT

2023