

The background of the cover features a dynamic, abstract design with diagonal stripes in various shades of blue and white, creating a sense of movement and depth. The stripes are layered, with some appearing as bright highlights and others as deep shadows.

Hudaco

INTEGRATED REPORT 2023

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Profile

Hudaco Industries is a South African group specialising in the importation and distribution of a broad range of high-quality, branded automotive, industrial and electronic consumable products, mainly in the southern African region.

Its businesses fall into the following categories:

Consumer-related products

Supplied to markets with a bias towards consumer spending and generally sold to installers

- Automotive aftermarket products
- Power tools and fasteners
- Data networking equipment
- Batteries and sustainable energy products
- Security and communication equipment
- Gas and outdoor products

Engineering consumables

Products generally used in the maintenance of machines and sold mainly to mining and manufacturing customers

- Bearings, belting and power transmission
- Diesel engines and spares
- Electrical power transmission
- Filtration
- Fire detection, containment and suppression
- Hydraulics and pneumatics
- Specialised steel
- Thermoplastic pipes, fittings and equipment

Hudaco sources branded products, mainly on an exclusive basis, directly from leading international manufacturers and to a lesser extent from local manufacturers. Hudaco seeks out niche areas in markets where customers need, and are prepared to pay for, the value Hudaco adds to the products it distributes.

The value added includes product specification, technical advice, application and installation training and troubleshooting, combined with ready availability at a fair price. The group has a network of specialised branches and independent distributors throughout southern Africa to ensure product availability to its customers.

Hudaco's black employees are its BEE partners and have a 15% equity interest in all Hudaco businesses, except for DD Power, in which Deutz AG has a 30% share.

Group overview

- Turnover up 9% to R8.9 billion
- Operating profit exceeds R1 billion
- Comparable earnings per share up 10% to R21.48
- Dividends of R10.25 per share
- Net borrowings up R392 million to R1 013 million

Challenges in 2023

- Managing operating margins in a challenging economy
- Effect on consumer-related products segment of pressure on consumer spending
- Chaos at South African ports impacting the supply chain
- Impact of unprecedented levels of load-shedding on the economy, mostly in H1
- Rand volatility and weakness increasing cost of inventory
- Disappointing performance of battery and alternative energy businesses in H2

Results in brief

30 November	2023	2022
Turnover (Rm)	8 897	8 151
Operating profit (Rm)	1 071	1 019
Comparable earnings (Rm)	613	579
Headline earnings (Rm)	613	596
Attributable earnings (Rm)	611	596
Comparable earnings per share (cents)	2 148	1 951
Headline earnings per share (cents)	2 148	2 007
Dividends per share (cents)	1 025	925

TURNOVER (RM)

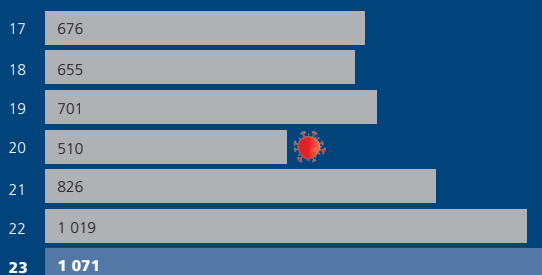


 Covid-19

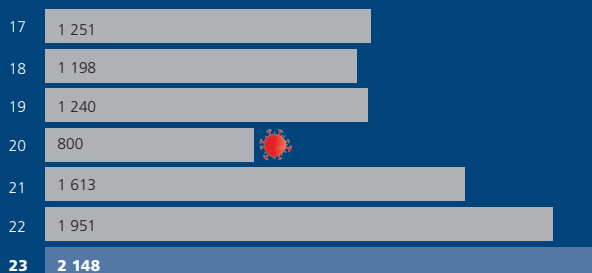
2023 Highlights

- Outstanding performance from engineering consumables segment
- Acquisition of Brigit Fire
- R11 million distributed to black employees through BEE Trusts
- Dividends per share up 11%
- Strong turnaround in Eternity Technologies' business
- Successful integration of CADAC into the group
- Repurchase of 695 000 shares
- Containment of expenses to below inflation increase

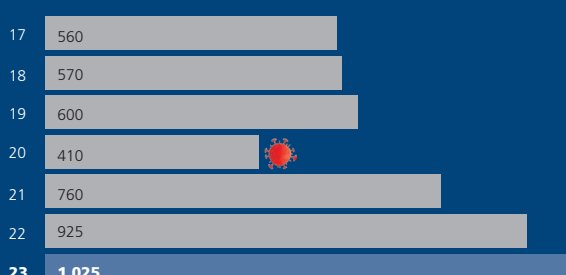
OPERATING PROFIT (RM)



COMPARABLE EARNINGS PER SHARE (CENTS)



DIVIDENDS PER SHARE (CENTS)



About this report

Hudaco is committed to conducting its business ethically and responsibly with a view to creating value in the long-term interest of society. Our integrated annual report (IAR) is aimed at providers of capital as well as a diverse range of other stakeholders.

Scope and boundary

This IAR covers the period 1 December 2022 to 30 November 2023. The group's financial year ends on 30 November, and unless otherwise indicated or described, the information included in this report refers to the years ended 30 November 2023 and 30 November 2022. The previous IAR covered the period 1 December 2021 to 30 November 2022. The IAR deals with all of Hudaco's operations, which are overwhelmingly in South Africa, and to a small extent in other southern African countries and outside Africa.





The entities reported on include Hudaco Industries Limited and its subsidiaries. Their businesses are described on page 6 of this IAR.

The group financial information is prepared according to International Financial Reporting Standards (IFRS). Material non-financial information is also included. This report aims to present a concise and balanced perspective of Hudaco's strategy, performance, governance and prospects.

Basis of preparation

This IAR is prepared in terms of the JSE Listings Requirements for integrated reporting and the King IV Report on Corporate Governance for South Africa (King IV). It also meets all the other legal requirements to which the company must adhere (such as the Companies Act). This IAR is used as a vehicle to communicate Hudaco's evolving business model and the quality of the decisions that have led to the financial results. Based on Hudaco's leadership engagement, governance

Frameworks used in compiling the separate elements of the IAR include:

Report element	Guidelines	Reference
 Corporate governance	The JSE Listings Requirements and King IV	Pages 83 to 94
Black economic empowerment status report	Codes of Good Practice, issued by the Department of Trade and Industry (dti)	Page 41
 Environmental, social and governance report and human capital report	Various relevant guidelines including those contained in the global reporting initiative (GRI) G3 indicators	Pages 45 to 53 and 54 to 65
Remuneration report	King IV	Pages 66 to 82
Annual financial statements	International Financial Reporting Standards (IFRS), Financial Reporting Guides issued by the South African Institute of Chartered Accountants, the South African Companies Act and the JSE Listings Requirements	Pages 95 to 141

Assurance

No external assurance has formally been sought, other than from the external auditors, Deloitte & Touche, on the annual financial statements.

Board approval

Assisted by the audit and risk management committee, the board accepts ultimate responsibility for the integrity and completeness of this IAR. It is the directors' opinion that this report presents a fair and balanced view of the group's integrated performance.

The financial statements have been approved by the board. Deloitte & Touche have signed an unqualified audit opinion on the annual financial statements.

processes and formal and informal stakeholder engagement initiatives, particularly with investors, the board is satisfied that all material matters have been disclosed in this report.

Our revenue, profits, social and environmental impact and benefits accrue from our many businesses that do not report independently in the public domain. In this report, we try to strike a balance between adequate composite reporting at a group level and communicating sufficient, but not excessive, detail of the underlying operations. This report is an attempt to demonstrate the integration of the operational, financial and sustainability (environmental, social and governance) issues relating to the key drivers of the business. In the report, we explain how the executives of Hudaco have applied their minds to consider these issues while developing the business strategy.

In compiling this integrated report, the following were taken into consideration:

- the Hudaco mission;
- Hudaco's strategic objectives to achieve the mission;
- the Hudaco business model;
- input received from the stakeholder engagement process;
- legislation and guidelines;
- King IV;
- JSE Listings Requirements;
- performance and developments during the year; and
- matters the board believes are of relevance to stakeholders.

Forward-looking statements

This report may contain forward-looking statements with respect to Hudaco's future performance and prospects. While these statements represent the board's judgements and future expectations, several factors may cause actual results to differ materially from these expectations.

Hard copy and report feedback

This integrated report is available in hard copy from the company's head office at +27 11 657 5000 or info@hudaco.co.za. Any questions regarding this report or its contents should be channelled through the group secretary. Feedback on this report is welcomed and similarly can be made directly to the group secretary.

The six capitals – our transformative impact

Each capital plays a role in our business model. However, the emphasis we place on each is influenced by our core function of importing and distributing high-quality branded automotive, industrial and electronic consumable products, our business model and our chosen strategy. Our decisions and trade-offs influence the efficiency of our operations and their impact on the six capitals.



Financial capital

Our financial inputs comprise a solid equity position and long-term financial stability.

Impact

- Profit shared with ordinary shareholders (R290 million in dividends and repurchased shares from ordinary shareholders for R112 million);
- Contributed to societal growth by buying goods and services (R6.3 billion), paying taxes (R470 million) and employment (R1.5 billion);
- Market capitalisation of R4.6 billion as at 30 November 2023; and
- Provision of credit to customers of R1.5 billion as at 30 November 2023.



Human capital

Effective leadership, an ethical culture and Hudaco employees' competencies, skills and diversity and our decentralised management style are critical to our success.

Impact

- Provide 3 635 jobs with improved diversity, with 27% of senior managers being black and 25% being women;
- R29 million spent on direct training for ongoing skills and development;
- Granted 17 bursaries to permanent employees; and
- Black employees own 15% of main operating company.



Intellectual capital

Product knowledge, sourcing knowledge, market knowledge, sales and marketing, brands and intellectual property and value-add capabilities.

Impact

- Continued availability of product and services;
- Product identification, specification and supply;
- Advice on usage or installation;
- Provision of solutions in complex application; and
- Customer training.



Manufactured capital

Infrastructure (including tools, technology, machines and buildings) used in the production of services and the delivery of products to customers.

Impact

- Property, plant and equipment of R362 million;
- Source products from more than 800 international suppliers scattered across the industrialised world; and
- Carry more than 230 000 line items – inventory holding is Hudaco's most important asset as our key competitive advantage is the ability to provide product on demand.



Natural capital

Land, energy sources, paper and water. Hudaco is committed to progressively reducing our environmental impact over time and assisting others to do so too.

Impact

- Continued to support the sustainable energy sector, lower energy usage and other climate related solutions;
- Own a business that designs and supplies sustainable energy solutions; and
- Acquired a business that designs and supplies fire detection, containment and suppression solutions.



Social and relationship capital

Stakeholder and supplier relationships along with socio-economic development and skills development.

Impact

- R2.9 million spent on education and skills development of family members of employees;
- Loans and contributions of R13 million to small and medium enterprises; and
- Build and maintain stakeholder relationships.

History

1890s

Formation

In 1891, just five years after the discovery of gold on the Witwatersrand, J Hubert Davies started an industrial equipment supply business in Johannesburg. By the turn of the century, the business was a major player in the distribution of mechanical and electrical industrial products. In 1917, it was converted into a private company, which facilitated the introduction of senior managers as shareholders and directors.

1930s

First JSE listing

In September 1938, Hubert Davies and Company Limited listed on the Johannesburg Stock Exchange. It remained listed in that format for almost four decades.

1970s

Expansion and decentralisation

In the 1970s, Hubert Davies expanded its product offering and branch network to extend across southern Africa. To provide more focused customer service and achieve improved market penetration, a strategic decision was made to specialise by product and activity. Consequently, a management philosophy of decentralising decision-making and responsibility was introduced. This philosophy is still in place today, through Hudaco's decentralised business model. It delisted from the JSE in 1977, when became a wholly owned subsidiary of Blue Circle Limited. The United Kingdom-based industrial group had already acquired a substantial interest in the company three years earlier.

1980s

Second JSE listing

In line with the specialisation trend among businesses at that time, in 1981 Hudaco Industries was established as an autonomous company, owning the group's distribution businesses. In May 1984, with banks as partners, management acquired control of Hudaco Industries from Blue Circle, in what was then the largest ever South African private equity leveraged buyout. On 14 November 1985, Hudaco Industries Limited was listed on the Johannesburg Stock Exchange at a subscription price of R1.50 per share, with a market capitalisation of R29 million. Several large acquisitions followed, including listed companies Frencorp, Valard and Elsec.

2000s

B-BBEE shareholding and growth

In 2007, the group sold 15% of all but one of its operating businesses to black, previously disadvantaged shareholders as part of a B-BBEE initiative.

This 15% is now owned for the benefit of Hudaco's black employees. The 2000s also saw the group's annual turnover increase to R4 billion.

2010s

Diversification to reduce dependence on mining and manufacturing

This decade saw Hudaco make several significant acquisitions, including Filter and Hose Solutions, Global Communications, the Dosco group, MiRO and Partquip. The latter serves the automotive aftermarket and is the group's largest single business. Many smaller businesses have also been acquired. This acquisition strategy included a strong initiative to diversify the revenue base, thereby reducing dependence on the group's traditional core markets of mining and manufacturing, which experienced very difficult trading conditions and in which growth was elusive for an extended period. This boosted contributions from the automotive, data networking, security and sustainable energy sectors.

Today

A quality diversified industrial distributor

Today, with a proud history of over 130 years since J Hubert Davies saw the long-term business potential of the initial gold rush, the group remains true to its roots. The group now employs 3 635 people and has a market capitalisation of about 4.6 billion. With the contraction of mining and manufacturing in South Africa in recent years, Hudaco's diversification strategy has served it well and 50% of its profits are now derived from sectors where activity is more closely aligned to levels of consumer spending. The acquisition in 2022 of the iconic South African gas and outdoor product brand CADAC further enhanced this offering. Hudaco's shareholders include many blue-chip players in the South African investment industry and black employees now have an equity interest in the main operating subsidiary.

Abridged group structure

Hudaco Industries

Direct black shareholders

The Hudaco Trading Empowerment Trust Number 1

The Hudaco Trading Empowerment Trust Number 2

15%

85%

Hudaco Trading

Hudaco Trading owns all businesses and operating subsidiaries except DD Power

Effective black ownership > 25%

50%

Deutz AG (Germany)

Ironman 4X4 International (Australia)

70%

30%

50%

DD Power

Ironman 4X4

Group at a glance

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CONSUMER-RELATED PRODUCTS

PRINCIPAL ACTIVITIES	BUSINESSES
Automotive aftermarket products The distribution of clutch kits, automotive ignition leads, oil and hydraulic seals, wheels, brake and clutch hydraulics, mountings, bushes, hydraulic repair kits, cylinders, hose, CV joints, wheel hubs, suspension components and 4X4 vehicle components to the automotive and industrial aftermarket.	Abes Technoseal, Partquip, A-Line Wheels and Ironman 4X4 Distribute a select range of automotive spares and accessories.
Batteries and sustainable energy The distribution of maintenance-free lead acid, stand-by and solar batteries, providing solar power and storage solutions for the commercial, industrial and residential markets, and the supply of batteries, high frequency chargers and related battery management equipment to the traction battery market as well as the design, assembly and management of battery bays for warehouses and distribution centres.	Deltec, Specialised Battery Systems, Eternity Technologies and Hudaco Energy Distribute maintenance-free automotive, stand-by and solar batteries, inverters, PV modules and batteries for forklifts and provide residential, commercial and industrial storage and full on-site facilities management for forklift battery bays in large warehouses and distribution centres.
Power tools and fasteners The distribution of power tools, marine engines, survey instrumentation and fasteners.	Rutherford and Boltworld Distribute Makita power tools and Mercury marine engines and a comprehensive range of fasteners.
Data networking equipment The distribution of IP convergence technologies including wireless networking, VoIP and physical security solutions.	MiRO Distribute Ubiquiti, Mikrotik, Cambium, Grandstream and other data networking equipment and solutions.
Security and security related communications solutions The distribution of intrusion detection, surveillance and access control equipment and seamless integration of systems over IP in combination with building management systems, as well as the provision of two-way radios and satellite communications, wireless networking, mobile and VoIP services, and hardware, comprising an end to end security and ICT solution.	Elvey Security Technologies, Pentagon and Global Communications Distribute AJAX, Bosch, DSC, Optex, Impro, Permaconn, Texacom, Axis and other leading security-related solutions and other intrusion and surveillance equipment and solutions and Kenwood and Sepura communication equipment.
Gas and outdoor products The distribution of cooking, heating and outdoor products.	CADAC Distribute CADAC cooking, heating and outdoor products.

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ENGINEERING CONSUMABLES

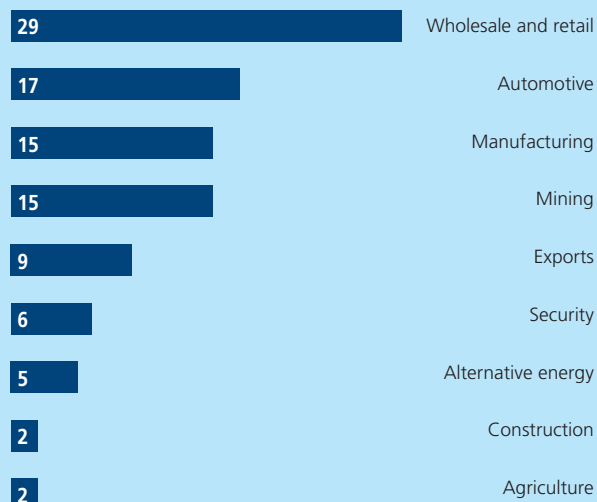
PRINCIPAL ACTIVITIES	BUSINESSES
Diesel engines and spares The distribution of Deutz diesel engines and Deutz spares and the provision of service support.	Deutz Dieselpower Represents Deutz AG – one of the world's leading independent manufacturers of diesel engines.
Bearings, Belting and Power Transmission The distribution of bearings, chains, belting, industrial hose, seals, electric motors, geared motors, and transmission products.	Bearings International, Brewtech Engineering and Belting Supply Services There are over 50 branches across South Africa. The main bearing brands distributed are FAG from Germany and KOYO from Japan while other products include Rexnord conveyor solutions, Habasit belting and a range of geared motors.
Filtration The distribution of filtration solutions, kits and accessories to mining, process and manufacturing markets.	Filter and Hose Solutions Distributor of Donaldson, Filtrec and Mann + Hummel high-quality filtration products and solutions for a broad range of applications.
Fire detection, containment and suppression The distribution of fire detection, containment and suppression products and solutions.	Brigit Fire Offers "One Source Total Fire Protection" that includes fire detection, fire containment protection and fire suppression systems with leading international and self-developed products singularly focused on fire security and safety disciplines, specifically required for commercial and industrial applications.
Hydraulics and pneumatics The distribution and manufacture of hydraulic and pneumatic products, including gear pumps, service and repairs and design of systems as well as the distribution of drivetrains.	Ernest Lowe, HERS, Dosco and GPM Supply Norgren and JELPC products as well as full service to required degree of precision and design of hydraulic systems, manufacture and distribute locally and internationally GPM gear pumps and distribute Kessler drivetrains.
Thermoplastic pipes, fittings and equipment The distribution of thermoplastic pipes and fittings and manufacture of dragline hose.	Astore Keymak and Plasti-Weld Distributes Agru thermoplastic pipes and fittings and manufactures Keymak dragline hose.
Specialised steel The sale, cutting and hardening of round, hexagonal and hollow steel bar and key steel, bending steel for dished ends and manufacture of conveyor drive pulleys and idlers as well as ferrous and non-ferrous castings.	Ambro Steel, Sanderson Special Steels, Bosworth, Joseph Grieveson and The Dished End Company Provide full service to customers including supply, cutting to size and heat treatment and the manufacture of dished and flanged ends, Bosworth conveyor drive pulleys and idlers as well as bespoke castings in a jobbing foundry.
Electrical power transmission The distribution of variable speed drives, electric motors, electrical cabling, plugs, sockets and related products to the manufacturing, mining and agricultural aftermarkets.	Powermite, Three-D Agencies and Varispeed Distribute Yaskawa variable speed drives, sophisticated cabling and accessories and electrical plugs, sockets and connectors.

KEY DRIVERS	R million	2023	2022
■ Consumer spending	Turnover	4 426	4 269
■ Building activity	Operating profit	592	661
■ Employment levels	Average net operating assets	2 426	2 226
■ Vehicle sales	Number of permanent employees	1 584	1 724
■ Analogue to digital migration			
■ Broadband, Wi-Fi and VoIP expansion			
■ Adoption of sustainable energy solutions			

KEY DRIVERS	R million	2023	2022
■ GDP growth	Turnover	4 488	3 907
■ Mining activity	Operating profit	581	470
■ Mining investment	Average net operating assets	2 315	2 089
■ Mining mechanisation	Number of permanent employees	2 027	1 788
■ Manufacturing activity			
■ Electricity usage management			

GROUP

SALES BY MARKET SECTOR – 2023 (%)



KEY DRIVERS	R million	2023	2022
■ Exchange rates	Turnover	8 897	8 151
■ Acquisitions	Operating profit	1 071	1 019
	Average net operating assets	4 724	4 275
	Number of permanent employees	3 635	3 536

Seven-year review

R million	2023	2022	2021	2020	2019	2018	2017
GROUP STATEMENT OF INCOME							
Turnover	8 897	8 151	7 258	6 254	6 704	6 381	5 902
Profit before interest and tax	1 064	1 018	836	245	731	632	656
Net finance costs	150	87	68	104	103	91	81
Profit before taxation	914	931	768	141	628	541	575
Taxation	245	256	219	133	160	144	156
Profit after taxation	669	675	549	8	468	397	419
Income from joint venture				1	3	3	3
Profit for the year	669	675	549	9	471	400	422
Non-controlling interest	58	79	50	(27)	42	19	25
Attributable earnings	611	596	499	36	429	381	397
Shares in issue (000) (weighted average)	28 519	29 702	30 357	31 527	31 646	31 646	31 646
Earnings per share (cents)							
– comparable	2 148	1 951	1 613	800	1 240	1 198	1 251
– headline	2 148	2 007	1 641	1 050	1 355	1 289	1 256
– basic	2 142	2 007	1 643	113	1 355	1 202	1 254
Dividends per share (cents)	1 025	925	760	410	600	570	560
GROUP STATEMENT OF FINANCIAL POSITION							
Property, plant and equipment	363	309	285	265	274	249	270
Right-of-use assets	406	382	422	414			
Investment in joint venture					12	9	9
Goodwill	1 285	1 182	1 170	1 170	1 512	1 505	1 480
Intangible assets	132	39	26	33	51	77	70
Deferred taxation – net	35	81	74	40	38	34	13
Inventories	2 693	2 355	2 004	1 598	1 720	1 822	1 538
Trade and other receivables	1 490	1 366	1 245	1 196	1 269	1 278	1 156
Trade and other payables	(1 279)	(1 322)	(1 272)	(936)	(968)	(989)	(943)
Taxation – net	(25)	(53)	(32)	(13)	8	(29)	(26)
Net operating assets	5 100	4 339	3 922	3 767	3 916	3 956	3 567
Lease liabilities	(470)	(440)	(477)	(455)			
Net borrowings	(1 013)	(621)	(469)	(643)	(1 008)	(1 163)	(860)
Employment of capital	3 617	3 278	2 976	2 669	2 908	2 793	2 707
Equity holders of the parent	3 285	3 096	2 863	2 593	2 742	2 509	2 295
Non-controlling interest	196	158	113	76	101	70	81
Equity	3 481	3 254	2 976	2 669	2 843	2 579	2 376
Amounts due to vendors on acquisitions	136	24			65	214	331
Total capital employed	3 617	3 278	2 976	2 669	2 908	2 793	2 707
GROUP STATEMENT OF CASH FLOWS							
Cash generated from trading	1 294	1 249	1 026	726	794	760	776
Decrease (increase) in working capital	(392)	(356)	(116)	182	59	(292)	(65)
Cash generated from operations	902	893	910	908	853	468	711
Other income – proceeds of damages claim				35			
Taxation paid	(260)	(244)	(220)	(113)	(196)	(164)	(131)
Net cash from operating activities	642	649	690	830	657	304	580
Investment in new operations	(171)	(81)	9	(6)	(114)	(242)	(210)
Investment in property, plant, equipment and intangible assets	(104)	(76)	(67)	(39)	(74)	(51)	(47)
Dividend received from joint venture						4	
Net cash from investing activities	(275)	(157)	(58)	(45)	(188)	(289)	(257)
Share-based payments	(101)	(36)	(16)	(3)	(22)	(18)	(16)
Increase (decrease) in long-term borrowings	400	120	(150)	(138)	(96)	339	(35)
Repurchase of shares	(112)	(133)	(69)	(82)			
Finance costs paid	(150)	(87)	(68)	(103)	(103)	(91)	(81)
Repayment of lease liabilities	(106)	(114)	(94)	(92)			
Dividends paid	(290)	(276)	(213)	(139)	(189)	(211)	(178)
Net cash from financing activities	(359)	(526)	(610)	(557)	(410)	19	(310)
Increase (decrease) in bank balances	8	(34)	22	228	59	34	13

Mission

Hudaco has been an important part of the South African business landscape for over 130 years. Our mission is to develop and manage a sustainable business for the long-term benefit of all stakeholders, in both current and future generations.

Achieving Hudaco's mission



Shareholders

We aim to produce superior returns for our **shareholders** by managing our business and by taking advantage of acquisitive and organic growth opportunities.

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Measurement of success*

The **primary** measures are **financial** and are detailed in the financial review on pages 24 to 28.



Customers

We safeguard our strong market shares by offering quality products and have them readily available to our **customers**.

Measurement of success*

Growth in market share, measured where information is available and using customer **satisfaction** reviews.



Suppliers

We establish enduring partnerships with our **suppliers**, combining their leading world brands and our distribution strengths in southern Africa.

Measurement of success*

Retention of significant brands, principal relationship reviews, **attracting** new leading brands, **benchmarking** the market position of a brand in South Africa with its market position internationally.



People

We ensure that a significant part of Hudaco's strength – its **people** – thrive in a decentralised, dynamic, challenging and equitable business environment.

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Measurement of success*

Retention and promotion record; **reward** commensurate with performance; **success** on educational programmes; health and safety record; **support** for wellness initiatives.



Communities

We aim to achieve our objectives in a manner governed by the highest standards of ethical conduct, sensitive to the needs of the **communities** in which our businesses operate.

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Measurement of success*

Success of students on our BEE **bursary programme**, support for and success of our socio-economic development and skills development initiatives, including absorption where relevant.



Transformation

We are committed to playing a part in the **transformation** of South Africa's society and economy to help redress the inequities of the past.

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Measurement of success*

Employment equity: appointment and promotion of more black people to senior positions; proportion and success of black people on our educational programmes; **black economic empowerment:** empowering previously disadvantaged South African employees to have an equity interest in the Hudaco group.



Environment

We are conscious of our responsibilities for safety and the **environment**.

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Measurement of success*

Health and safety record and progress on goals as set out in the **environmental, social and governance report** and **human capital report**.

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* We measure success through financial and non-financial assessments.

Business model

Hudaco's core activity is the importation and distribution of high-quality, branded **industrial, automotive** and **electronic consumable** products.

What we sell and where we sell it

Our businesses and the products they sell fall into the following categories:

Consumer-related products

Supplied to markets with a bias towards consumer spending and generally sold to installers

- Automotive aftermarket products
- Batteries and sustainable energy products
- Data networking equipment
- Power tools and fasteners
- Security and communication equipment
- Gas and outdoor products

Engineering consumables

Products generally used in the maintenance of machines and sold mainly to mining and manufacturing customers

- Bearings, belting and power transmission
- Diesel engines and spares
- Electrical power transmission products
- Filtration
- Fire detection, containment and suppression
- Hydraulics and pneumatics
- Specialised steel
- Thermoplastic pipes, fittings and equipment

We look for products with which we can add value through the distribution chain, stockholding, product availability and providing technical support. Typically, these would be technical specification, advice on usage or installation and customer training. The extent of value add is determined by whether the customer's purchasing decision could be influenced by the addition of a technical support function.

We focus on offering maintenance spares for critical customer equipment. Purchasing decisions for these items are made easily and quickly without onerous tender procedures.

Products are distributed throughout southern Africa by our approximately 30 businesses.

We supply some 30 000 active customers from over 130 branches in South Africa.

In other African countries, we generally supply customers directly from South Africa or through local distributors.

What makes us successful in the market

Key elements of our success include:

Adding value for our customers

Our objective is to offer customers more than just a product in a box.

We seek to sell products where value can be added, for example in some of the following ways:

- availability;
- product identification, specification and supply;
- advice on usage or installation;
- customer training; and
- provision of credit to customers.

Our decentralised management philosophy

Decentralising the management structure facilitates these attributes:

- faster decision-making;
- superior customer service;
- empowered employees; and
- high standards and disciplines.

Our value-add offering is in demand by our customers. We are in the fortunate position of being able to maintain our technical skills base through loyal and motivated employees. We are also able to quickly and easily train new staff through training offered internationally by our suppliers and our own in-house training programmes.

How we achieve growth

Organic growth

Our first priority is to take advantage of organic growth opportunities within the markets we serve. This can be achieved by a combination of:

- taking market share from competitors;
- adding products to the basket offered;
- expanding the geographies within which we operate; and
- creating additional market demand for our existing product offering.

Acquisition strategy

After funding organic growth and paying dividends to shareholders, Hudaco's high cash-generating characteristics mean that resources are still available to fund the acquisition of new businesses. We use acquisitions of successful (and usually privately held) businesses to provide an additional platform for future growth. In our acquisition efforts we seek to acquire agencies for products where customers either already require these characteristics or, by introducing them, we think we can increase customer loyalty to the brand.

We believe that there are many private business owners in South Africa who are aware of Hudaco, like our management style and consider our buyout formula attractive. When the time is right, we hope they will approach us directly with a view to possibly selling their businesses to us.

Sourcing the products we sell

We seek out and secure exclusive distribution rights from leading international manufacturers with a global brand presence and a commitment to maintaining market leadership, particularly through technical innovation.

We source products from more than 800 international suppliers scattered across the industrialised world. We also manufacture certain niche products.

We carry more than 230 000 line items in stock. Demand is relatively inelastic, with low line-item sales predictability, whilst supplier lead times can range from three months to well over a year, in extreme cases. Inventory holding is therefore our most important asset, as our key competitive advantage is the ability to offer availability on demand.

Aspects important to our principals/suppliers

Our businesses distribute top-quality branded products and have represented their major principals for many years. The following factors strengthen our ability to retain existing distribution rights:

- Market share is key. If our local market share is in line with that which our principal enjoys internationally, distribution rights are unlikely to be disturbed.
- The local southern African market is small in world terms, making entering it directly not worthwhile.
- South Africa is heavily regulated with unique laws (for example BBEE) not well understood by the international community. Further, the regulatory and compliance landscape is not stable – new BEE and labour requirements are a regular occurrence. This tends to dissuade suppliers from entering the market directly.
- The level of corruption and/or perceived corruption in South Africa. Overseas suppliers perceive that rights to conduct business are increasingly subject to government patronage and that awarding government business is sometimes accompanied by demands for payoffs. For legal and reputational risk reasons, international corporations avoid doing business in such environments themselves. Nevertheless, Hudaco does not, and will not, participate in corrupt activities.
- Long-term relationships (frequently on a personal level) and a well-established distribution footprint – both of which are hard to replicate.
- Our suppliers rely on our understanding of the specific challenges of doing business in Africa, particularly the political and regulatory risks and the limitations which the size of these economies pose, so they appoint us to represent their brands in markets that they would not ordinarily have been able to access. Crucially, we must adapt continually to the dynamics of doing business in Africa.

Our board has agreed on a strategy to pursue acquisitions with the aim of:

- ideally closing one major acquisition of at least R300 million turnover every two years;
- continuing to acquire smaller businesses provided they can be bolted-on to existing businesses;
- concluding a major, R1 billion plus acquisition, if such an opportunity can be found; and
- avoiding dependency on any one market sector by diversifying our portfolio of businesses.

Where practicable, Hudaco seeks to:

- purchase the business, not the company;
- purchase thriving (not distressed) businesses with depth in management;
- enter into service agreements with management;
- include earn-out arrangements in the final price; and
- purchase for cash, unless the acquisition is large enough to warrant issuing shares.

Target criteria

Our acquisition target criteria are businesses that mostly are/have:

- customers which require value-added distribution;
- an identifiable competitive advantage, eg strong brand/s;
- already profitable and earning good returns;

- in growth markets;
- distribution rights for products that are not currently offered by any business within the group;
- strong general and financial management and good controls;
- a presence in non-capital, industrial, automotive or electronic products;
- selling to markets in southern Africa; and
- preferably headquartered in Gauteng.

Why our acquisition strategy has been successful

The quality of the personal relationships between Hudaco and the seller of the business is one of the most important factors for a successful acquisition. We don't impose joint purchasing or tendering, preferring to preserve the route to market of each business by allowing significant autonomy. Managing directors of businesses that come into the group may be invited to play a wider role within the group once they have completed their three-year earn-out and they have proved to us and themselves that they are comfortable in a corporate environment. We benefit greatly from the presence of the sellers of successful businesses on our team as they often bring with them experience and ideas worth sharing across the broader group.

Our decentralised structure helps to ensure that the businesses that we buy remain intact, ie the brand, the staff and the reputation. We only intervene when performance requires it or where extracting synergy was a significant factor in motivating the acquisition.

Joint report of the chairman and chief executive



“Hudaco has once again delivered pleasing results under very trying economic circumstances. The benefit of having a defensive, robust portfolio of diverse businesses was once again evident in 2023 in that, although the consumer-related products businesses found the environment very difficult with consumer spending under so much pressure, the engineering consumables businesses came to the fore with a sterling performance.”



2023 Overview

Hudaco has once again delivered pleasing results under very trying economic circumstances. The benefit of having a defensive, robust portfolio of diverse businesses was once again evident in 2023 in that, although the consumer-related products businesses found the environment very difficult with consumer spending under so much pressure, the engineering consumables businesses came to the fore with a sterling performance.

The last year was the worst year yet from a load-shedding perspective. Coupled with increased chaos at our ports and Transnet's substantial and escalating logistical issues, this is severely damaging the country's economy and foreign investor confidence. Disposable income has come under even greater pressure due to high petrol prices and interest rates, as well as high unemployment. We also note that attracting and retaining high-quality technical professionals in many of our businesses is becoming increasingly difficult. The slow decline of our country is extremely alarming and denies all South Africans the promise of 1994. It is of great concern that growth in GDP in South Africa has continued to lag behind population growth year after year for over a decade, which means that people are becoming consistently poorer.

Annual turnover was up 9.1% over 2022 to R8.9 billion, whilst operating profit increased 5.1% to R1 071 million. The group operating profit margin was 12.0%, compared with 12.5% last year. Turnover from the consumer-related products segment was up 3.7%, whilst its operating profit decreased 10.4%. On the other hand, engineering consumables' turnover increased by 14.9%, and its operating profit increased by 23.7%. Sales analysis by market sector shows increases in the wholesale and retail, mining and manufacturing and alternative energy sectors.

Headline earnings per share, which in 2022 included COVID-19 insurance claims, increased by 7%, whereas comparable earnings per share increased by 10%. Return on equity is healthy at 19.9%, and the cash-generative nature of Hudaco's businesses was evident, with cash generated from operations of R902 million.

The final dividend has been increased by 12% to 700 cents per share, resulting in a total dividend for 2023 of 1 025 cents per share, up 10.8% on 2022. Comparable earnings cover the total dividend 2.1 times, which falls within our long-term dividend policy range of paying between 40% and 50% of comparable earnings.

Financial position

The financial position remains strong. We invested R171 million in acquisitions, R33 million in purchasing the property occupied by FHS, R112 million in share buybacks and allocated R392 million more to working capital, mainly inventory, which contributed to an increase in bank borrowings from R621 million to R1 013 million. Importantly, operating profits covered interest payments almost ten times, which compares favourably with our internal benchmark of at least five times. We still have significant additional bank borrowing facilities, so there is capacity for good acquisitions should we find them.

Inventories at year-end of R2 693 million are R338 million up on 2022, mainly due to the 13% increase in the cost of stock due to the devaluation of the Rand, the acquisition of Brigit Fire and the strategic investment in our alternative energy businesses.

Consumer-related products

The consumer-related products segment consists of 12 businesses. In 2023, it comprised 50% of Hudaco's sales and 50% of operating profit. In 2022, this segment contributed 52% of the group sales but 58% of the operating profit.

With consumers feeling the pressures of load-shedding, near record-high fuel prices, inflation, rising interest rates, unemployment and a depressed economy, volume sales and gross margins declined, and most businesses in this segment were down on 2022 but still produced good results under the circumstances. As part of our growth strategy, we invested heavily in our alternative energy businesses, in both people and stock; unfortunately, with the oversupply of panels and batteries in the market from around mid-year and reduced load-shedding for a while, the budgeted growth in sales did not materialise. The security division and CADAC had another year of good growth in sales. Our traction battery business, with a new management team now in place, achieved a strong turnaround, with more to come in 2024.

Segment sales increased by 3.7% to R4.43 billion, operating profit decreased by 10.4% to R592 million, and the operating profit margin was a healthy 13.4%.

Engineering consumables

The 19 engineering consumables businesses comprised 50% of group sales and 50% of operating profit. Last year, this segment contributed 48% of group sales and 42% of operating profit.

The segment increased turnover by 15% to R4.49 billion and operating profit by 23.7% to R581 million. The two most significant market sectors in this segment are mining and manufacturing, and we saw good growth in these sectors again in 2023. Consequently, most of the businesses in this segment performed well, with outstanding performances coming from our businesses supplying diesel engines, gear pumps, filtration, bearings and power transmission, modular belting and our electrical businesses. Brigit Fire has been included in these results for three months and has integrated well into Hudaco. The operating profit margin increased from 12% to 12.9%.

Repurchase of shares

Capital allocation is always an essential consideration for Hudaco. During the 2023 financial year, in the absence of suitable acquisitions and given the prevailing price of Hudaco's shares, the company repurchased and cancelled 695 000 shares at an average cost of R159.99 per share before transaction costs. The total cost was R112 million.

Joint report of the chairman and chief executive continued

We are satisfied that the overall strategy we have employed as a group over the past few years has been the appropriate one. We have stuck to the core business model that we understand well, while defensively diversifying our offering to cover sectors of the economy that we had not previously served and which offered growth opportunities missing in our more traditional markets.



Acquisitions

Brigit Fire

To invest in an industry with growth potential and to further diversify the revenue stream, on 1 September 2023, the group acquired the businesses of the Brigit Fire group for a maximum potential consideration of R315 million based on future profits, with an initial payment of R150 million. The remainder of the purchase price is payable in two tranches after one and two years respectively, based on actual average levels of profitability achieved in each of those years.

Plasti-Weld

As a bolt-on acquisition for Astore Keymak, Hudaco's thermoplastic pipes and fittings business, the Plasti-Weld business was purchased on 1 December 2023. The final consideration will be determined in February 2025 with a maximum of R56 million, which includes an initial payment of R43 million made in December 2023.

Strategic focus

Our key strategic focus remains unchanged: distributing strong international branded products requiring added value in instant availability and technical input. Our philosophy of carefully managing the relationship between turnover, margins, inventories and costs means that businesses currently serving low- or no-growth markets generally remain very cash generative. We continue to pay generous dividends and invest the balance in our higher-growth businesses and accretive acquisitions that diversify and strengthen our overall offering. We also continue to look for new markets and grow our businesses' reach geographically, where appropriate.

Prospects

Prospects for Hudaco will depend mainly on how the economy performs, and in 2024, that is bound to be influenced by the lead-up to and outcome of the national elections. We expect that in the first

half we will experience more of the same inertia as business adopts a wait and see approach. However, we are ever hopeful for change and a positive electoral outcome for the country, followed by some meaningful action and implementation from government on the policy front. The country desperately needs to counter high unemployment and reverse the performance deterioration seen in almost every area under government and municipal control. This would kick-start the economy and hopefully translate into investment in those sectors that are traditional Hudaco markets. Our businesses are well placed to benefit immediately from such a scenario. We expect another year of strong cash generation as the excess stock in our alternative energy businesses is sold.

Hudaco's business model, principally the sale of replacement parts and products with a high value-added component, and its financial characteristics – high margin and strong cash flows with a limited requirement for investment in fixed assets, makes Hudaco resilient. That augurs well for stability as we navigate the challenges of doing business in an election year in South Africa.

Changes to the board of directors and board committees

Louis Meiring has tendered his resignation as executive director of the company to enable him to devote his time to his personal business interests. His departure date, which will be set to ensure a smooth transition of responsibilities, will be no later than 31 March 2024. With effect from 1 February 2024, Ernie Smith, who has served as alternate director to Louis Meiring for the past year, has been appointed to the Board as a director in his own right.

Daisy Naidoo will retire from the board following the annual general meeting to be held on 27 March 2024. Daisy has been an independent non-executive director since 2011 and currently serves as lead independent non-executive director, chairman of the audit and risk management committee and a member of the nomination and the social and ethics committees. Although the board is completely satisfied that her independence has not been impaired in any way on account

of her tenure, in the interests of being seen to follow principles of good corporate governance, she believes that she should not continue on the board, and we respect her decision.

Pursuant to the above, the following changes will be effective after the forthcoming annual general meeting to be held on 27 March 2024:

- Mark Thompson will assume the role of lead independent non-executive director;
- Bukelwa Bulo, who was appointed to the board on 22 June 2023, will assume the roles of chairman of the audit and risk management committee, and member of the remuneration committee and the social and ethics committee;
- Nyami Mandindi will step down as a member of the remuneration committee and become a member of the nomination committee; and
- Ernie Smith will replace Louis Meiring as a member of the social and ethics committee.

Appreciation

Challenging has become the new normal over the past few years given the economic conditions under which we operate. It is only through the commitment and experience of the members of the executive committee as well as management at an individual business level that

the group has been able to deliver so consistently. There is excellence among our staff at all levels within the group and their contribution is valued and appreciated. Our loyal suppliers and customers are important stakeholders too and we thank them for the roles that they play in our mutual success.

We thank our experienced board members for their guidance and direction over the year. Interaction between non-executive and executive directors has always been constructive, effective and in the best interests of the company. We make specific mention of Daisy Naidoo, who has served as an exemplary non-executive director since 2011 and Louis Meiring, who has been an important member of the executive for the past five years, both of whom will be stepping down from the board in the next few months. We thank them for the very significant contributions they have made in all respects.



SJ Connelly
Chairman











GR Dunford
Chief executive

23 February 2024

Strategic focus


2023

- Challenges and opportunities arising through degradation of local infrastructure 
- Continuing to cope with the unpredictability of international supply chain challenges 
- Further improving margins  
- Containing the expense ratio as input costs rise from worldwide inflationary pressure 
- Continue developing more black African managers within the group 
- Improving the performance of the Eternity Technologies and Powermite businesses 
- Optimising capital allocation 

2024

- Managing inventory levels in the context of congestion at SA ports
- Challenges and opportunities arising through degradation of local infrastructure
- Improving the performance of the SBS, Deltec, Hudaco Energy and Dosco businesses
- Improving margins
- Containing the expense ratio
- Continue developing more black African managers within the group
- Optimising capital allocation

 Achieved

 Not achieved

 Partially achieved

Stakeholder engagement

In terms of the requirements of sustainability reporting standards, we ask stakeholders what material information they require to maintain a mutually successful and sustainable business relationship. Stakeholders to whom we are accountable and for whom we create value are: investors, shareholders, principals/suppliers, staff, customers and communities in the vicinity of our premises. In this report, we aim to provide each with information on what matters to them, as identified in the table below.

We have rated the following stakeholders as the most significant (in no particular order) based on the likelihood that they will access and use this report, our ability to provide information that will be useful to them and their level of interaction with the group:

- Shareholders and investors, current and future, private and institutional;
- Staff: the 3 635 people in Hudaco's 31 businesses;
- Principals/suppliers; and
- Bankers.

The table below details the issues considered by stakeholders to be important to them. These were determined through our stakeholder engagement process, which included discussions with members from each of the stakeholder groups, either directly or through executives of our businesses. The investment community is invited to suggest further disclosure where they identify a need for specific information, as are bankers during annual review meetings and regular update discussions. The major topics of interest this year for most categories of stakeholders were: capital allocation; acquisition prospects; the impact on our businesses and our customers of load-shedding, which remains endemic; which elements of the supply chain have improved and how the degradation of our infrastructure has continued to impact product availability; the weakening of the Rand; and persistent worldwide inflationary pressures. The relevance of the various sections of this report to the different classes of stakeholders is set out on the inside front cover.

Stakeholders	Why they matter to us	Why we matter to them	What matters to them	How we communicate with them
Private shareholders and institutional investors	Shareholders	Derive dividend income from trading performance and capital appreciation from the market value of Hudaco shares.	<ul style="list-style-type: none"> ■ Compliance, governance ■ Share price, dividend policy, return on investment, profitability ■ Capital allocation ■ Management competence ■ Depth of management and succession planning ■ Growth strategy ■ Business model ■ Acquisitions – deal flow and success ■ Executive remuneration ■ Risks ■ ESG reporting 	<ul style="list-style-type: none"> ■ Integrated and interim reports ■ Informal discussions ■ Results presentations ■ Facilitated discussions ■ Hudaco website ■ Annual general meeting ■ Analyst reports ■ Press interviews ■ SENS announcements
Bankers	Financiers	Take credit risk on and derive interest and fee income from Hudaco.	<ul style="list-style-type: none"> ■ Statements of financial position, comprehensive income and cash flows ■ Key risks ■ Succession planning ■ Environmental impact 	<ul style="list-style-type: none"> ■ Integrated and interim reports ■ Results presentations ■ Annual credit review meetings ■ Capital raising and other discussions ■ Covenant reports ■ SENS announcements
Intermediary customers and end-users of products	Customers and end-users	Hudaco supplies them with quality products at reasonable prices and technical support to sustain their operations.	<ul style="list-style-type: none"> ■ BEE credentials ■ Brand ■ Product availability ■ Product quality ■ Technical support ■ Service turnaround ■ Pricing ■ Reputation 	<ul style="list-style-type: none"> ■ Personal contact ■ Product marketing ■ Service levels ■ BEE scorecards ■ Business unit websites ■ ISO accreditation ■ Websites ■ Customer communications

Stakeholders	Why they matter to us	Why we matter to them	What matters to them	How we communicate with them
Management of businesses	Management, potential vendors	<p>Rely on Hudaco for their livelihood and meeting career aspirations as well as for investment-related returns through the share appreciation bonus and share matching schemes.</p> <p>Covered by group life and disability insurance.</p> <p>Make use of corporate wellness initiatives to maintain a focus on executive health.</p>	<ul style="list-style-type: none"> ■ Hudaco brand, association with quality products, endorsement in market through association ■ Treasury function, insurance, company secretarial functions, internal audit ■ Synergies within the group ■ Management and resource support from centre for growth ■ Group structure, relevance of Hudaco group issues to operations ■ Critical mass pricing advantage ■ Business model ■ Leadership succession planning, careers, knowledge management systems ■ Functional relationships with group management ■ Cash position during earn-out process ■ Remuneration ■ Wellness and health programmes ■ Group life and disability cover 	<ul style="list-style-type: none"> ■ Integrated report ■ Results presentations (internal) ■ Management conferences ■ Personal contact ■ Video conferencing ■ Retirement fund reports and information ■ Wellness days and reports ■ CFO meetings ■ Risk management meetings
Owners of privately owned businesses	Potential vendors	Hudaco provides a potential exit strategy or a means of realising the value in their businesses and building a career within the group.	<ul style="list-style-type: none"> ■ Acquisition and earn-out process ■ Exit opportunities ■ BEE credentials ■ Finance and support for growth opportunities 	<ul style="list-style-type: none"> ■ Integrated report ■ BEE scorecards ■ Personal contact ■ Business brokers
Principals	Suppliers	Rely on Hudaco for a route to market without them having to establish a presence in SA, a relatively small market which has significant regulatory complexities.	<ul style="list-style-type: none"> ■ Market shares ■ Sales forecasts ■ Stockholding and ordering processes ■ Distribution strengths ■ Customer penetration ■ Cultural barriers in dealing with local customers ■ Creditworthiness 	<ul style="list-style-type: none"> ■ Personal contact ■ Video conferencing ■ Integrated report ■ Business unit websites ■ ISO accreditation
Employees	Staff	<p>Rely on Hudaco for their livelihood (during employment and post retirement) and personal development to meet career aspirations.</p> <p>Covered by group life and disability insurance.</p> <p>Make use of corporate wellness initiatives.</p> <p>Most receive subsidy on medical aid contributions.</p> <p>Black employees with over three years' service have an equity interest.</p> <p>Black employees and their close families may be eligible for bursaries from the BEE bursary scheme.</p>	<ul style="list-style-type: none"> ■ Career development ■ Leadership succession planning ■ Remuneration ■ Skills retention and development ■ B-BBEE ■ Health and safety ■ Wellness and health programmes ■ Medical aid ■ Group life and disability cover ■ BEE ownership trusts ■ BEE bursary scheme 	<ul style="list-style-type: none"> ■ Integrated report ■ Policy documentation ■ Personal contact ■ Video conferencing ■ Retirement fund reports and information ■ Wellness days and reports ■ Health and safety reports ■ Trustee elections and AGMs for BEE ownership trusts ■ BEE bursary scheme communications
Government	Tax collector, transformation regulator, education and training authority	Rely on Hudaco to collect and remit indirect taxes, to pay direct taxes, to progress transformation and to provide education and training programmes.	<ul style="list-style-type: none"> ■ VAT ■ PAYE ■ Income tax ■ Customs duty ■ Dividends tax ■ BEE ■ Learnerships and apprenticeships 	<ul style="list-style-type: none"> ■ Statutory returns ■ Integrated reports ■ Results presentations ■ Correspondence ■ BEE certification ■ Employment equity reports ■ Workplace skills plans and reports

Risks and mitigation

Key risks

In the table below, we highlight the key risks faced by the group, in order of perceived priority, and how these risks are mitigated:

Risk	Explanation	Potential exposure	Mitigation	Residual risk assessment/probability	Associated opportunity
Loss of a major brand	While the portfolio of brands is diverse, there are two major brands the loss of which could have a significant effect on the results of the group. These brands, each of which contributes 6% to 10% of group operating profit, would be hard to replace. The portfolio also includes several other important brands.	Up to R110 million in operating profit per annum per brand.	Maintaining strong relationships with principals and serving them well in the South African market. This is monitored by the audit and risk management committee. The relationships with the major brands are managed by the group chief executive. Acquisitions increase the number of suppliers and dilute exposure to any one brand. The element we cannot mitigate is the risk that a major principal ceases to exist, eg through international corporate activity.	Highly unlikely. This risk follows from the strategy of representing quality major international brands.	There would not be an opportunity associated with the loss of one of the group's two major brands. The loss of a lesser brand may present an opportunity to bring into the portfolio a brand that has something more to offer.
Disruptions in the supply chain	Inefficiencies at local ports, which result in offloading delays and a scarcity of ships coming to South Africa because of waiting times, and the degradation of the rail infrastructure have the potential to impede Hudaco's access to adequate inventory.	Up to R200 million in operating profit per annum if not adequately managed.	Businesses increasing inventory levels and maintaining close relationships with principals to make them aware as early as possible of requirements. Using first-rate, agile shipping and logistics companies to expedite receipt of goods.	Likely. The Covid-19 pandemic caused major disruptions to the international supply chain but that has normalised. The persisting problems lie at local ports and rail services.	Supply chain disruption has affected competitors too. Hudaco's strong financial position enables it to maintain significant stock levels to meet customer needs and maintain margins where competitors have no stock.
Inadequate supply of electricity and diesel or water	The lack of electricity is a constraint on GDP, a significant driver for Hudaco. The mining industry, in particular, tends to be affected when electricity is in short supply. Hudaco's sales tend to decrease when its customers are unable to operate due to electricity constraints. A prolonged lack of electricity could cause a shortage of diesel, which would exacerbate the situation. Inadequate supply of water would also affect economic activity.	Unable to quantify.	Acquiring businesses that serve different sectors, some of which are less dependent on electricity supply. Geographic diversification.	Highly likely, considering recent experience of load-shedding, the current parlous state of Eskom and degradation of water infrastructure. This risk is integral to our strategy of supplying to industries that happen to have high electricity requirements.	Potential to sell batteries, inverters, solar products and generators to industry and the consumer market as well as products to restore and maintain water infrastructure.
Foreign exchange rate risk – significant strengthening of the Rand	If the Rand strengthens, the purchase prices of our products drop and selling prices must be reduced to remain competitive. This reduces gross profit and since our expenses are Rand-based, they do not decline. Net operating profit decreases.	Without management intervention, for each 10% by which the Rand strengthens, operating profit could decrease by R240 million per annum.	Management of quantities and lead times helps to delay the impact. Management intervention to increase gross margins. The primary risk cannot be mitigated.	Variable depending on extent. This risk is integral to our strategy of holding inventory to provide customers with ready availability of imported goods with long lead times.	A sustained weakening of the Rand by more than the inflation rate without significant volatility would result in gross profits rising faster than expenses, increasing the operating profit margin.
Ineffective insurance	The risk that there is a major loss (eg through fire) and that the insurance claim is not met because the policy was defective or the insurer fails. Insurers are taking an increasingly hard line.	R300 million.	Insuring through reputable long-established underwriters and engaging high-quality insurance brokers as advisors.	Unlikely.	No associated opportunity.
Not meeting BEE requirements	Although Hudaco has put in place an appropriate BEE shareholding structure and targets on the dti scorecard have been achieved, this is against a backdrop of ever-changing requirements. Certain industries (eg mining) have their own charters with different requirements and certain entities set criteria more stringent than the applicable charter. Sales may be lost through not having adequate BEE credentials.	Unable to quantify.	The group transformation and human resources executive monitors legislation and charter requirements to keep our businesses abreast of new requirements. She helps to ensure the necessary certifications have been obtained by the group or each business, as appropriate. Aspects such as ownership requirements are monitored at board level.	Highly unlikely. This strategic risk is part of doing business in South Africa and is always front of mind in operations.	We have been able to grow the group through acquisitions because we offer strong BEE credentials to vendors. Also, as competitors are faced with the same BEE challenges, we are able to attract business from those that fall short of requirements. On the revised dti scorecard, we have over 26% black ownership and the overall rating is level 3, which provides a customer with 110% procurement recognition.
Poor acquisition	Acquired business performs well below expectations or exposes the group to significant unexpected risks.	R200 million.	Approving acquisitions based on thorough due diligence reviews conducted by professionally qualified advisers and our own experienced acquisitions team and including earn-out and clawback provisions in acquisition agreements.	Highly unlikely. This risk is introduced by the strategy to grow the group by acquisition.	Quality acquisitions add significant value to the group.

Risk	Explanation	Potential exposure	Mitigation	Residual risk assessment/ probability	Associated opportunity
Reputational risk	The risk is that the group or an individual business may suffer damage to its reputation in the event of a product or corporate governance failure or through association with a supplier whose reputation becomes tainted.	R60 million.	A strong corporate governance framework and code of ethics as well as specific assurances to ensure compliance with competition legislation. Sourcing major brands from high-quality principals and seeking assurance, including through factory visits, in respect of the ethical practices and product quality of second and third-tier suppliers.	Highly unlikely. The decentralised structure increases the risk relative to a centralised model but should also serve to contain any potential damage.	Hudaco's governance and ethics should put it at an advantage relative to competitors that face the same risks. While reputational issues are undesirable and absolutely to be avoided, the appropriate response, managed well, can have the effect of enhancing a reputation.
Sustained labour unrest in the mining or manufacturing sectors	Of group turnover, currently 15% is sold directly to the mining industry and 15% into manufacturing, much of which is to service the mining industry.	R55 million.	The group has a diverse customer base both within and outside of mining. It is unlikely that all types of mining will be affected.	Less than even chance.	This provides an incentive to further diversify the customer base through extending our range of products and customer geographies.
Local manufacturer more competitive	Although for most of our key agencies there is little prospect of a local manufacturer being able to produce a product of similar quality at a competitive price, there are some where this could be a threat when the Rand and the economy are weak.	R30 million.	Carrying a second-tier range, which many of our businesses do, and finding other sources of supply reduce the potential impact.	Highly unlikely for major brands but more risk on lesser product lines.	Second-tier brands have been successful for the group. We distribute some excellent local products and could get distribution rights for emerging quality local brands.
Litigation risk	The group is involved in litigation from time to time. In such instances, there is a risk of loss if Hudaco is the defendant and of costs if Hudaco is the plaintiff.	R15 million.	Use of high-quality legal teams and careful management of cases, including thorough preparation.	Highly unlikely.	Depending on the circumstance, legal action could provide the opportunity to recover assets, preserve reputation or defend a threat to assets.
Natural disaster, epidemic or war at supplier(s) or customer	A natural disaster, epidemic or war could cripple a factory of a major supplier(s) (or of a component supplier to our supplier) or the operations of a major customer. We have seen through Covid-19 that the risk of a pandemic, by definition on a much greater scale, also exists.	R20 million. For a pandemic, R500 million.	We carry up to six months' stock which gives time to react to such an event. Major suppliers generally operate from several factories in different cities and/or countries. The loss of a factory could be disruptive to the supply of certain products but production would quickly be moved to other factories. The group has a widespread supplier and customer base and is not overly reliant on any single one. Insurance is held against certain supply interruptions.	Highly unlikely. Nevertheless, the risk did materialise in 2020 as a pandemic, with devastating effect the world over.	Natural disasters, epidemics or wars in other parts of the world do not represent opportunities to the group, except to the extent that those competitors whose suppliers do not have the same level of geographic diversification as ours may be affected more heavily. A natural disaster locally may create demand for some of the products we sell.
Credit risk	Although credit risk is well spread and larger debtors are usually blue chip, government sometimes awards large contracts to new BEE entities, on which we occasionally must take credit risk.	R20 million.	In such cases, we manage the delivery process as closely as possible and strive to find other ways to minimise this risk. Normal credit risk is managed through having low concentration of credit risk and through disciplined control procedures.	Unlikely to be abnormal. This risk, beyond the normal, is a consequence of BEE procurement.	Supplying normal credit to customers is one of the value-adding features of our business model. If intermediary relationships are managed carefully, there are significant opportunities in supplying the requirements of government.
Increase in interest rates	Where necessary, borrowings are used to finance working capital and acquisitions, which introduces the risk that finance costs will go up if market interest rates increase.	R23 million per annum if the JIBAR increases by 2% per annum.	Effective management of working capital to minimise exposure. Other forms of raising funds for acquisitions can be considered.	Likely.	Higher interest rates could have the effect of reducing prices of businesses for sale. A decrease in interest rates will give rise to an equivalent reduction in finance costs.
Loss of key executives in businesses or at group level	When members of the executive team retire or leave, the risk is that transition could have a significant negative effect on the group. Sometimes businesses are sold to us as an exit strategy for the owners. Succession planning and integration into the group are therefore vital for sustainability of the business.	Unable to quantify.	The group has a formal succession policy. Succession plans, emergency and planned, are considered annually by the nomination committee. Members of the group executive team have developed in-depth knowledge of each business. Ideally, replacements for executives who retire are able to spend several months working under the guidance of their predecessors and experienced people are appointed to the executive committee when required. Earn-out periods keep vendors in acquired businesses to facilitate transition.	Highly unlikely. The risk is always prevalent but arises specifically through the strategy of growing the group by acquiring entrepreneurial businesses.	Retirement of members of the executive team creates visible opportunities to which the next level of management can aspire. This provides them with an incentive to prove their value through superior performance.
Shortage of people with appropriate technical skills	There is a significant shortage in the country of people with the appropriate level of technical skills and industry expertise so it is proving increasingly difficult to find replacements for those who emigrate, retire or resign. These skills are important for the value-added component of our business model.	Unable to quantify.	Apprenticeship and graduate development programmes in the required technical disciplines go some way to providing a pipeline of suitably trained personnel. Being perceived as an employer of choice in the respective industry segments assists in attracting high quality employees.	Likely.	Success in building an excellent team should enhance the customer experience and therefore customer loyalty. This can provide a competitive advantage.

Board of directors

Non-executive directors



Stephen Connelly (72)

ACMA

Non-executive chairman of the board and the nomination committee and member of the remuneration committee

Stephen immigrated to South Africa in 1976. In 1982 he was a founding partner of Valard Limited and was appointed managing director in 1987. Valard was acquired by Hudaco in 1992. That year Stephen was appointed Hudaco's chief executive and served in that capacity for 22 years until his retirement in 2014. He continued to serve on the board in a non-executive capacity for a cooling off period and was appointed chairman in April 2018. He is also independent non-executive chairman of Sturrock & Robson, a privately owned international group of engineering businesses with its head office in Europe.

Stephen joined the board in 1992.



Nonyameko "Nyami" Mandindi (57)

BSc (Quantity Surveying), Executive Masters in Positive Leadership and Strategy

Independent non-executive director, chairman of the social and ethics committee and member of the audit and risk management committee and the remuneration committee

Nyami started her career as one of the first black female quantity surveyors in South Africa. As one of the founding partners of a QS firm in the 1990s, she contributed to the growth of the firm to one of the top five quantity surveying businesses in SA. She has vast operational experience having served as CEO of Intersite and Project Manager for the Rea Vaya BRT system for the City of Johannesburg. She served as CEO and business line director of Southern & East Africa of Royal Haskoning DHV, where she was part of the global leadership team, leading the Africa Growth Strategy. She was also the chairman of Group Five and a member of its nomination committee.

She serves on the boards of Exemplar REITail Limited and Kusile Africa Development.

Nyami joined the board in 2015.



Dhanasagree "Daisy" Naidoo (51)

Masters in Accounting (Taxation), CA (SA)

Lead independent non-executive director, chairman of the audit and risk management committee, member of the nomination committee and of the social and ethics committee

Daisy serves as an independent non-executive director on the boards of Absa Group and Mr Price Group. In addition, she chairs the audit committee of Mr Price and is a long-serving member of the Tax Court of South Africa.

She spent nine years with Sanlam Capital Markets, including as head of the Debt Structuring Unit.

Daisy joined the board in 2011.



Mark Thompson (71)

BCom, BAcc, CA (SA), LLB

Independent non-executive director, chairman of the remuneration committee, member of the audit and risk committee and of the nomination committee

Mark served, *inter alia*, as chief financial officer of Sappi and group treasurer of Anglo American and was a member of the Rand Merchant Bank audit committee and its corporate and investment banking credit committee and a member of the board and chairman of the audit, risk and compliance committee of First Rand Insurance Services Company.

He currently holds non-executive positions with Sasfin Bank and Sasfin Holdings (member of the board, audit committee, group risk and capital management committee as well as chairman of the credit and large exposures committee), PPC (member of the board, investment and strategy committee and chairman of the audit, risk and compliance committee), Rockwood Private Equity (member of its advisory board and member of the board of one of its major unlisted investments and chairman of both its audit and remuneration committees) and Sappi Limited Pension Fund (chairman of the audit committee).

Mark joined the board in 2017.



Bukelwa Bulu (46)

BBusSci Hons, CA (SA), PLD (Harvard)

Independent non-executive director and member of the audit and risk management committee

Bukelwa has extensive experience in private equity with exposure to a wide spectrum of sectors, including industrial services and retail. She has expertise in investment and divestment evaluation, deal structuring, and strategic and stakeholder management. She is a cofounder of Jade Capital Partners, an investment holding company focused primarily on the property, industrial, construction and building materials sectors.

She serves on the boards of Capital Appreciation Limited, Netcare Limited and Sephaku Holdings Limited.

Bukelwa joined the board in June 2023.

Executive directors



Graham Dunford (59)

NDip: Mechanical Engineering

Chief executive and executive committee chairman

Graham joined Hudaco in 2001 when it purchased Bauer Geared Motors, where he was the managing director. He became CEO: Electrical power transmission in 2005, CEO: Power transmission in 2009 and CEO: Bearings and power transmission in 2010.

He joined the board in 2009 as an alternate director and became a full board member in 2010.

He was appointed group chief executive in 2014.



Clifford Amoils (62)

BCom, BAcc (cum laude), CA (SA)

Group financial director and member of the executive committee

Clifford was a partner at Grant Thornton (which has since merged into BDO) for 21 years and headed its audit division. He was a member of its National Council and served on Grant Thornton International's audit advisory committee. He was a member of the Financial Reporting Investigation Panel of the JSE from 2008 to 2018.

He joined the board in 2009.



Louis Meiring (59)

NDip: Electrical Engineering

Executive director and member of the executive committee and social and ethics committee

Immediately prior to joining Hudaco, Louis was with the Zest WEG Group for 27 years, serving as its group CEO from 2012. He has extensive experience in the engineering consumables industry.

He joined the board in 2019.



Ernie Smith (53)

BTech: Industrial Engineering

Executive director, member of the executive committee and executive: QHSE and projects

Ernie joined Hudaco as a portfolio executive in 2018. He has extensive commercial and operations management experience in the engineering field, having started his career at Anglo American as an industrial engineer, served as operations director for Whirlpool Appliances, vice president at Schneider Electric (both in Europe and South Africa) and divisional managing director at Aveng.

He joined the board as an alternate director in February 2023 and became a full board member on 1 February 2024.

Executive committee

- 1** The executive committee is chaired by the chief executive, Graham Dunford, and meets quarterly, prior to the board meeting. Its principal terms of reference are to advise the chief executive on the formulation of operating policy, the implementation of group strategy and the management of group risks.



Graham Dunford (59)

NDip: Mechanical Engineering

Chief executive

35 years' service

1



Clifford Amoils (62)

BCom, BAcc (cum laude), CA (SA)

Group financial director

15 years' service

2 3



Esther Nkosi (59)

BA, Masters in Human Resources Management, Senior Leadership Development Programme

Group executive: Transformation and human resources

17 years' service

3



Louis Meiring (59)

NDip: Electrical Engineering

Executive director

5 years' service



Ernie Smith (53)

BTech: Industrial Engineering

Executive director

6 years' service

4



Barry Fieldgate (62)

Portfolio executive: Abes Technoseal, Deltec Energy Solutions, Hudaco Energy, Deutz Dieselpower, Filter and Hose Solutions, MiRO, Ambro Steel, Sanderson Special Steels and The Dished End Company

16 years' service

5



Chris Pillay (50)

BA Hons (cum laude), MBA

Portfolio executive: Rutherford, Boltworld and CADAC

3 years' service

6



Burtie Roberts (59)

BCom Hons, BAcc, MBL

Portfolio executive: Eternity Technologies, Joseph Grieveson, Dosco Precision Hydraulics, Ernest Lowe, Gear Pump Manufacturing, HERS and Bosworth

21 years' service

7



Lavern Jacobs (53)

Portfolio executive: Partquip and A-Line Wheels

29 years' service

8

CONSUMER-RELATED PRODUCTS

Automotive aftermarket

- 5 Abes Technoseal
- 8 Partquip
- 8 A-Line Wheels
- 4 Ironman 4X4

Power tools and fasteners

- 6 Rutherford
- 6 Boltworld

Security and communication

- 1 Elvey Security Technologies
- 1 Pentagon
- 1 Global Communications

Data networking

- 5 MiRO

Batteries and sustainable energy

- 5 Deltec Energy Solutions
- 7 Eternity Technologies
- 4 Specialised Battery Systems
- 5 Hudaco Energy

Gas and outdoor products

- 6 CADAC

ENGINEERING CONSUMABLES

Bearings, belting and power transmission

- 4 Bearings International
- 4 Belting Supply Services
- 4 Brewtech Engineering

Diesel engines and spares

- 5 DD Power
- 5 Deutz Dieselpower

Filtration

- 5 Filter and Hose Solutions

Fire detection, containment and suppression

- 1 Brigit Fire

Thermoplastic pipes, fittings and equipment

- 4 Astore Keymak
- 4 Plasti-Weld

Specialised steel

- 5 Ambro Steel
- 7 Bosworth
- 7 Joseph Grieveson
- 5 Sanderson Special Steels
- 5 The Dished End Company

Electrical power transmission

- 4 Powermite
- 4 Three-D Agencies
- 4 Varispeed

Hydraulics and pneumatics

- 7 Dosco Precision Hydraulics
- 7 Ernest Lowe
- 7 Gear Pump Manufacturing
- 7 HERS

GROUP SERVICES

Finance

- 2 Accounting
- 2 Finance
- 2 Risk
- 2 Tax
- 2 Treasury
- 2 Group secretarial

Environment

- 4 Environmental management

Human resources

- 3 Human resources
- 3 Transformation
- 4 Occupational health and safety

Financial review



“Our overriding financial objective is to increase value for shareholders, which we strive to achieve through long-term growth in earnings accompanied by strong cash generation and astute allocation of capital. Our internal operating measures and incentive programmes are geared towards this goal.”

Measurement of financial performance

Our overriding financial objective is to increase value for shareholders, which we strive to achieve through long-term growth in earnings accompanied by strong cash generation and astute allocation of capital. Our internal operating measures and incentive programmes are geared towards this goal. We measure our financial performance based on comparable earnings because we believe it is more representative of the ongoing results of the group.

In 2023 there were no differences between headline earnings and comparable earnings. In 2022, comparable earnings included the proceeds of business interruption insurance claims arising from the impact of Covid-19 on certain of our businesses. Those proceeds increased 2022 basic and headline earnings per share by 56 cents.

While there were no adjustments in either 2023 or 2022, it is common that at Hudaco comparable earnings are calculated by adjusting for profits and/or losses that arose because, based on results to reporting date, the latest estimate of the earn-out payments to be made to vendors of businesses acquired in recent years were different from the previous estimate. IFRS 3 requires that, where a business is acquired with a contingent purchase consideration, changes to the estimated purchase price be recognised in profit for the year. The accounting is counter-intuitive because a loss arises when the acquired business performs better than expected and a profit arises where it underperforms expectations.

We measure our financial performance as follows:

- We target real growth in comparable earnings per share over the medium and long-term. Comparable EPS for 2023 is 2148 cents, compared to 1951 cents in 2022, an increase of 10%. The repurchase of shares during both 2023 and 2022 reduced the weighted average number of shares outstanding so it is also worth considering the total comparable earnings, which increased 5.7% from R579 million in 2022 to R613 million in 2023. As expected, the repurchases have had a positive effect on earnings per share.
- Hudaco's compound growth in comparable eps over the past five years has been 12.4% from 1198 cents in 2018 and 8.1% over the past 10 years, from 983 cents in 2013. Hudaco aims to achieve earnings growth at a rate at least in line with the earnings of the All Share Industrial Index (J257). To achieve this, we encourage our businesses to grow while producing a return over time exceeding the cost of capital. Since 2018, earnings in the J257 have shown compound growth of 11.5% and since 2013 their compound growth has been 7.7%. We have achieved higher growth than the industrial index over both five years and 10 years, notwithstanding the difficulties in achieving growth with the turmoil for so much of the 10-year period in what had been our core markets – mining and manufacturing.
- Return on capital employed is considered in the context of the weighted average cost of capital, particularly in striving to increase and not diminish the intrinsic value of the group.

- Return on equity is an important measure at group level. We target to achieve ROE of a minimum of 17% but strive to reach 23%. The ROE for 2023 was 19.9%. We recognise that, with equity increasing by income retained, in years when earnings don't grow by at least as much as the increase in equity, axiomatically ROE will decline.
- A measure of intrinsic value created for shareholders is determined by applying a standard point-in-time capitalisation multiple valuation methodology, as used by professional investment advisers. The increase in the value of the equity between the beginning and end of the year is determined and cash returned to shareholders during the year is added.
- The main operating performance measure used by the businesses in the group is RONTA – the return (PBITA) on average net tangible operating assets (NTOA) employed during the year. NTOA is total assets (excluding investments, goodwill, intangibles, right-of-use assets and cash), less current liabilities (excluding interest-bearing debt and lease liabilities). Each business is measured against its own benchmark – its objective being to maximise its RONTA by managing the balance between the operating profit margin (%) and net operating asset turn (times). The lower the operating profit margin, the higher the net operating asset turn must be to achieve an acceptable return.

We achieved an operating profit margin of 12.0% for 2023, compared with 12.5% in 2022. A NTOA turn of approximately three and a half times is usual and requires management to achieve the right balance between the elements of working capital, ie inventory, receivables and supplier credit. In 2023 the NTOA turn was about three times, which reflects the fact that year-end inventory is higher than normal.

We have set an internal target of RONTA of no less than 30% for the group as a whole. In 2023 and 2022, RONTA was very respectable at 34% and 38%, respectively.

Impairment of goodwill

Assessing goodwill for potential impairment always requires a high degree of judgement in projecting the future cash flows of a business. We normally do this annually at financial year-end unless factors have arisen that warrant assessment during the year. The assessment at 30 November 2023 indicated that goodwill had not been impaired.

Capital allocation including share repurchases and acquisitions

An important function at group level is the allocation of capital. Hudaco's overriding strategy is to use available resources to invest in growing existing businesses and acquiring new businesses that then become part of the group's core, generating profits and cash for many years into the future and taking advantage of synergies that make sense within our decentralised business model. This approach of building for the long term is different from the private equity model, in which the leverage and exit strategy are fundamental to success. Accordingly, first prize is to continue applying cash generated and moderate borrowings to acquire successful businesses at a multiple of around five to six times profit after tax, which is particularly value accretive when Hudaco shares are trading at multiples of around 10 times earnings, as they sometimes do. Nevertheless, on a regular basis and each time we consider an acquisition, we assess the other capital allocation options available to us, including repaying borrowings and buying back shares.

Suitable acquisitions had proved elusive for some time so buying back shares has been an attractive option. In 2023, the company utilised available cash resources, to repurchase 2.2% of the issued shares in the open market. 695 000 shares were repurchased on 6 and 7 February 2023 and delisted and cancelled on 15 February 2023. The purchase price averaged R159.99 per share before transaction costs and the total cost was R112 million. In September 2023 Brigit Fire was acquired with the price dependent on a two-year earnout arrangement. The estimated price is R276 million, with an initial payment of R150 million and a maximum consideration of R315 million.

After year-end, the business of Plasti-Weld was acquired with effect from 1 December 2023 for a consideration that may not exceed R56 million.

Dividends

Hudaco's long-term dividend policy is to pay interim and final cash dividends to shareholders totalling between 40% and 50% of comparable earnings, resulting in dividends being covered by earnings by between 2.5 and 2.0 times. This year, the dividends per share total 1 025 cents and are made up of an interim dividend of 325 cents and a final dividend of 700 cents. This amounts to R290 million and represents 47.5% of comparable earnings for the year. Dividends in 2022 totalled 925 cents per share, of which 625 cents was a final dividend, representing a total of 46.3% of comparable earnings.

Cash flow

Hudaco businesses are cash generative. General economic stagnation can inhibit the generation of cash from certain businesses but that is transient and not endemic to the business model. Other of our businesses usually compensate for this with very strong cash flows.

Net cash flow from operating activities of R642 million (2022: R649 million), after investing R392 million (2022: R355 million) in working capital and paying R260 million in taxation, was very strong and, as always, demonstrates the cash-generative nature of Hudaco's businesses. R290 million was paid out as dividends, finance costs excluding on the lease liabilities for premises were R112 million, R104 million was spent on property, plant, equipment and software and R144 million, including finance costs, was paid to landlords for the right to use premises. R112 million was invested in repurchasing Hudaco shares, share-based payment obligations of R101 million were settled, R171 million was spent on acquisitions and long-term borrowings increased by R400 million. The net short-term cash position moved up R8 million, from positive bank balances of R129 million to R137 million.

The additional R392 million invested in working capital arose primarily because weakness of the Rand meant imported products cost more, financial pressure on the consumer impacting sales of products the demand for which is driven by consumer spending, a significant overstocked position of solar panels and batteries in the whole South African market, and inefficiencies at South African ports increasing the quantity of goods in transit.

Borrowings

Hudaco's borrowings have arisen from the acquisition strategy to achieve growth in the face of a moribund economy but the gearing deliberately remains conservative. At 30 November 2023, net bank borrowings amounted to R1 013 million, up R392 million from R621 million in 2022. There were changes in the structure of some of the long-term facilities during the year, although the practical

Financial review continued

implications of these changes were not significant. The R500 million long-term general banking facility with Rand Merchant Bank is at an interest rate in the range 1.85% to 2% below Prime, depending on the tenor of the tranche concerned. The interest rate on the R500 million revolving credit facility with Absa is JIBAR plus 1.44% and on the R500 million evergreen revolving credit facility with Nedbank, it is JIBAR plus 1.55%. At year-end JIBAR was 8.2677%. On all three facilities, Hudaco has full flexibility to make repayments and to redraw funds, subject to basic credit assessments at certain levels, but the banks may not call up the funds for at least 367 days. At year-end, facilities of R712 million were committed by the banks but not utilised.

Hudaco has the capacity to take on more senior debt and our acquisition strategy may create the opportunity to do this in future, so we consider it prudent to have facilities available. Perhaps more important than managing gearing is an objective to ensure that interest on senior debt is covered at least five times by operating profit. We also aim to operate with EBITDA being at least 50% of net senior debt. Our covenants with the banks are less onerous, with the most stringent being four times interest cover and EBITDA 40% of net senior debt.

IFRS 16: Leases

In terms of IFRS 16: Leases, there is a right-of-use asset for premises of R406 million and a lease liability of R470 million on the statement of financial position. The statement of comprehensive income contains a depreciation charge of R112 million and finance costs of R38 million. Rent actually paid to landlords amounted to R144 million.

Taxation

The group's effective rate of taxation this year is 26.8%. Except for our BEE learnership programme and non-deductible expenditure in the listed company such as directors' fees and listing costs, there are no factors that would normally result in the rate varying much from the standard rate of 27%.

The gross contribution to government in South Africa, comprising direct and indirect taxation, amounted to R917 million (2022: R843 million) for the year ended 30 November 2023. The composition of this figure is set out in the value-added statement on page 29.

Financial risk management

Significant financial risks in the group have been identified and are considered at each board, executive committee, operational risk committee and audit and risk management committee meeting. These

are described on pages 18 and 19. The impact of each risk is quantified and its probability is assessed. Measures are put in place to manage the risk, after which the residual risk is assessed. A risk tolerance line helps to ensure that any risks potentially greater than an acceptable level are identified early and avoided or mitigated. The group's risk appetite and risk tolerance statements are considered by the operational risk committee, executive committee and audit and risk committee. The ways in which the group manages foreign currency risk, interest rate risk, credit risk and liquidity risk are fully set out in note 24 to the financial statements.

Each business, or cluster of businesses with shared services, has its own financial team in place which operates substantially independently but to group prescribed standards and policies. The size and strength of the team depend on the size and complexity of the business or cluster. Smaller businesses are provided with appropriate support from within a cluster.

Fraud

In keeping with many other players in the South African economy, we experience ever increasing fraudulent activity and we were victim to both internally and externally perpetrated frauds in 2023. Notwithstanding the strong procedures we have in place, slip-ups across the group are inevitable. These frauds have taken the form of identity theft, collusive internal activities and theft. There were also many attempts to defraud other parties by perpetrators purporting to represent Hudaco. Whenever any of our businesses become aware of an attempt at fraud, the relevant information and defensive measures are shared across the group to heighten awareness. Fortunately, our procedures and staff awareness have assisted in containing the impact to a level that is not material. Regrettably, we have not been able to rely on much assistance from the criminal justice system but we continue to apply our zero tolerance policy. Where appropriate, we engage professional investigators to help drive a matter through the system on our behalf.

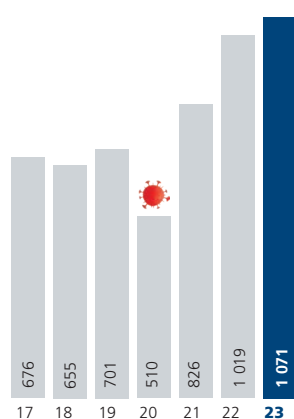
Group services

Services currently handled at head office, and provided free of charge to operating businesses, are tax, company secretarial, treasury (including foreign exchange and hedging), insurance, certain elements of the B-BBEE scorecard, benchmarking and negotiation of leases for premises, employee benefits, group risk (including internal audit and IT governance), QHSE management, human resources support and the use of behavioural assessment software to assist in recruitment and

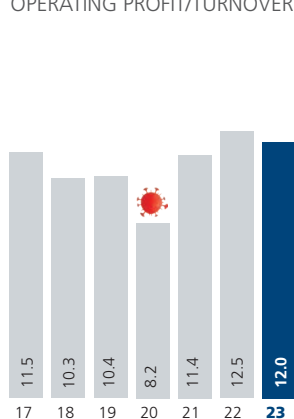
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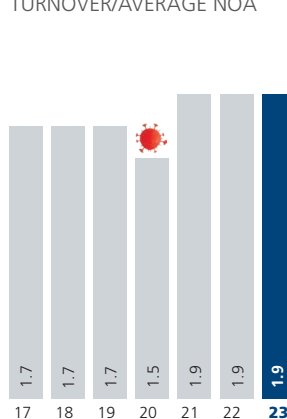
OPERATING PROFIT (RM)



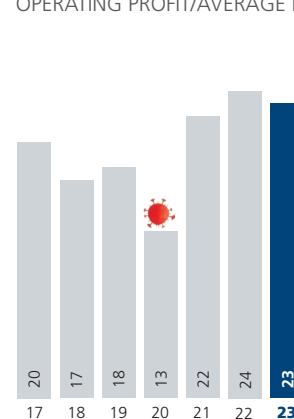
OPERATING PROFIT MARGIN (%)
OPERATING PROFIT/TURNOVER



NOA* (TIMES)
TURNOVER/AVERAGE NOA



RETURN ON NOA* (%)
OPERATING PROFIT/AVERAGE NOA



* Net operating assets

management of personnel. Buying foreign exchange through head office is easier and cheaper for a business than dealing directly with a bank. Businesses enjoy lower bank charges, rates of interest and insurance premiums as well as better risk benefits for employees by being part of the Hudaco group.

Impact of changes in foreign exchange rates

As Hudaco is predominately an importer, prices charged are linked to the Rand exchange rate. While Hudaco's sales line is affected by exchange rate movements, the group's expense line is affected by the local rate of inflation. This imbalance represents a real risk that sales could fall in response to a strengthening Rand whilst expenses, driven by local inflation, continue to rise. The result would be a margin squeeze. We estimate that a 10% strengthening of the Rand could, without management intervention, result in a R225 million fall in operating profit over a full financial year. Similarly, sustained weakness in the Rand creates the opportunity for higher operating margins but currency volatility can either negate or postpone any favourable impact on earnings. We continue to see significant volatility of the Rand, with the US Dollar costing R16.92 at the beginning of the year and R18.73, 10.7% weaker at the end but with extremes of R16.72 and R19.86, a 19% swing.

Over time, one would expect the Rand to weaken by the inflation differential between South Africa and its trading partners, allowing us to pass on imported inflation to our customers at roughly the same rate as the local inflation rate. As we are only too well aware, the Rand is volatile and does not follow the inflation rate differential in the short term. As an importer of our particular portfolio of products, we find ourselves exposed primarily to the Rand-Dollar and Rand-Euro exchange rates. Many of our suppliers manufacture from plants positioned all over the globe and are therefore able to hedge themselves against currency exposures by shifting production capacity over time between currency regions but this does not help with short-term fluctuations between currencies, least of all the Rand.

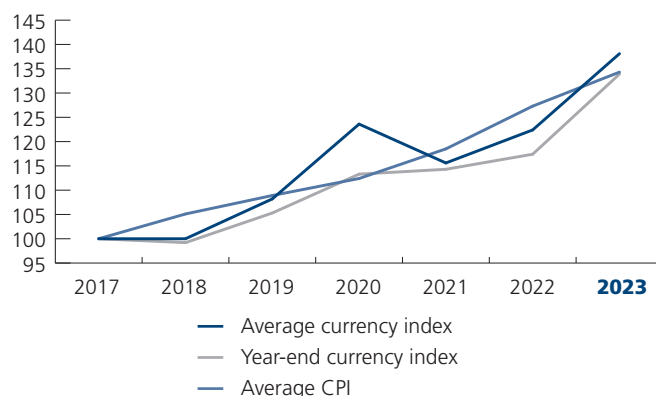
The volatility in the currency makes pricing a challenge and margins are usually kept under pressure, particularly in the weak economic environment to which we have become accustomed, driven by local and international political uncertainty, rising interest rates internationally, the fragility of our electricity supply, the degradation of the freight rail infrastructure in the country and the inability of our ports to clear cargo at an acceptable pace. The graph on this page

shows how the weighted exchange index for the basket of currencies that Hudaco purchases has moved relative to the consumer price index (CPI). Our basket of currencies, on average, cost 13% more in 2023 than in 2022 but there were fluctuations of about 19% between highs and lows during the year.

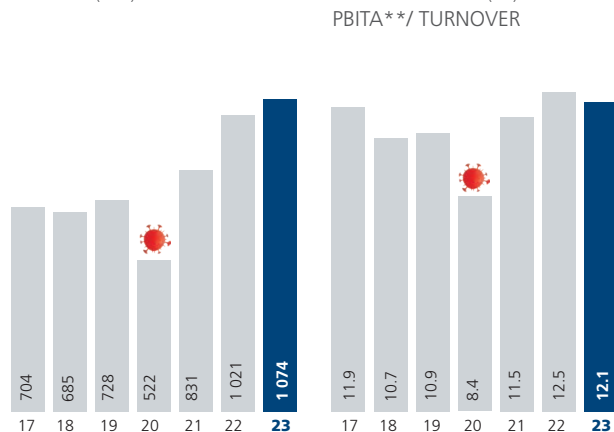
We take out forward exchange contracts to meet future payment obligations in accordance with our hedging policies. Management of our foreign currency exposure is based on the principle of avoiding speculation and employing a hedging strategy designed to achieve high hedge effectiveness. All foreign currency liabilities are hedged directly by the time ownership of the asset passes to Hudaco. In addition, on average about 30% of orders on suppliers are also hedged directly to guard against spikes in exchange rates. An important driver of the extent to which orders are hedged is the opportunity to change selling prices between the dates of placing the order on the supplier and delivery to the customer. In the context of Rand volatility instead of a gradually depreciating currency, there is a risk of being locked in at weak exchange rates at times when the Rand strengthens so we seek to manage exposure before a liability crystallises.

Response times to exchange rate fluctuations through pricing changes, both up and down, have traditionally been fairly quick (about three weeks to a month) but there is a built-in cushion in our five-month stockholding so prices on all products may not change at the same time.

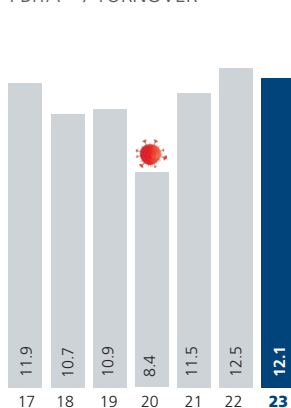
Historical movement in foreign exchange rates for Hudaco's basket of currencies



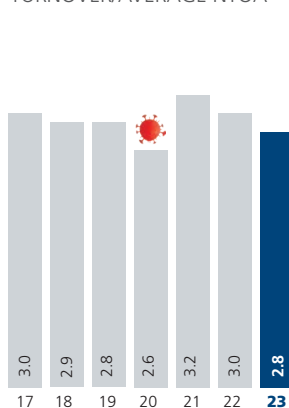
PBITA** (RM)



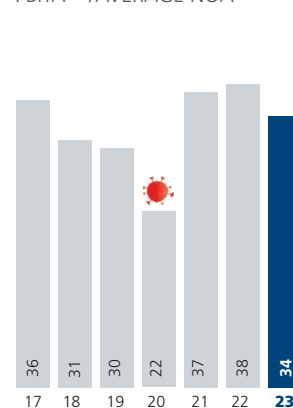
PBITA MARGIN (%) PBITA**/ TURNOVER



NTOA*** TURN (TIMES) TURNOVER/AVERAGE NTOA



RETURN ON NTOA*** (%) PBITA**/AVERAGE NOA



** Operating profit before amortisation of intangible assets acquired as part of a business combination

*** Net tangible operating assets

Financial review continued

IT systems

In line with our decentralised business model, the management team at each business or cluster of businesses is free to select whichever IT platform it considers most appropriate for the business concerned. There is no centralised IT platform and standardisation is not imposed, except within shared services clusters, but businesses are encouraged to take a lead from those most satisfied with their reporting systems. Generally, little modification is required to off-the-shelf software.

The IT governance committee provides input where appropriate and maintains an oversight role regarding control and best practice. Generally, the businesses that adopted a cluster shared services approach in recent years selected Syspro as their preferred IT platform. For more information on how IT is governed in the group, refer to the corporate governance report, specifically page 92.

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B-BBEE trusts

The two B-BBEE trusts that own 15% of Hudaco Trading Proprietary Limited have all black South African employees of Hudaco Trading who have more than three years' service as their beneficiaries. In February 2024, the trustees of those trusts resolved to distribute approximately R11 million (2023: R11 million) to qualifying black employees, with about 1 620 (2023: 1 700) employees each receiving R7 000 (2023: R6 250).

Secondary listing on A2X

Hudaco shares have a secondary listing on the A2X exchange. The objectives are to facilitate a reduction in transaction costs for those investors wishing to use the alternative trading platform and to increase the liquidity of Hudaco shares. Volumes traded on this platform have not been significant thus far.



Value-added statement

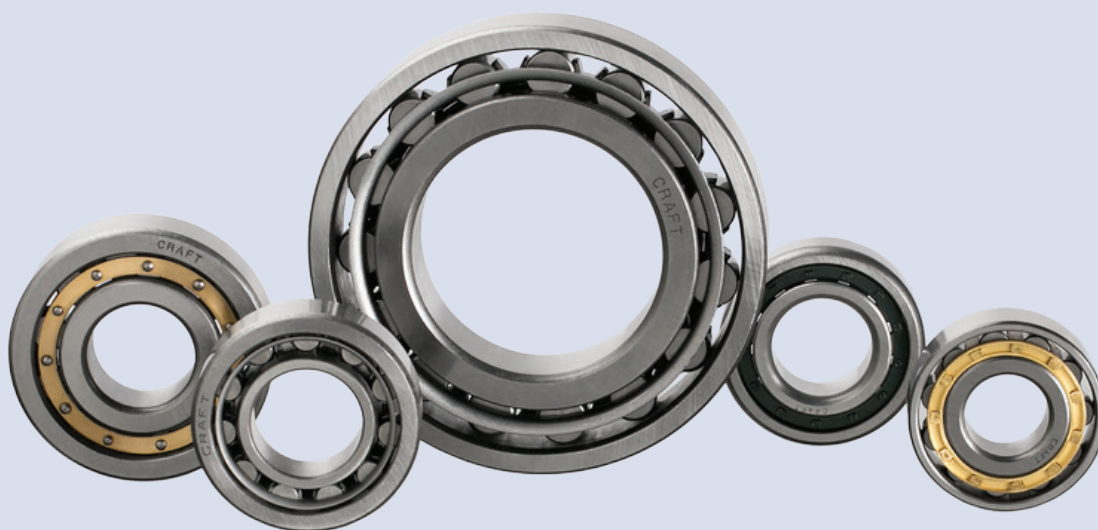
The group value-added statement measures the wealth the group has created in its operations by “adding value” to the cost of raw materials, products and services purchased. The statement below summarises the total wealth created and shows how it has been shared by the stakeholders who contributed to its creation. Also set out below is the amount retained and reinvested in the group for the replacement of assets and the further development of operations.

GROUP VALUE-ADDED STATEMENT

R million	2023	2022
Turnover	8 897	8 151
Less: Cost of materials, facilities and services from outside	6 278	5 602
Value-added	2 619	2 549
Capital items	(7)	(1)
Other income		27
Total wealth created	2 612	2 575
Distributed to:		
Employees – salaries, wages and other benefits	1 481	1 424
Government (gross contributions)	917	843
Indirect contributions, duties and levies	(678)	(591)
Net finance costs	150	58
Shareholders – dividends	270	276
– repurchase of shares	20	133
Maintain and expand the group		
– profits retained	278	258
– depreciation, amortisation and impairment	174	174
Total wealth distributed	2 612	2 575

STATEMENT OF GROSS CONTRIBUTIONS TO THE GOVERNMENT IN SOUTH AFRICA

R million	2023	2022
Company income tax and CGT	239	252
Assessment rates	8	7
Customs and excise duty	197	172
Skills development levies, UIF and COIDA	24	24
Value-added tax not recognised as input credit	2	3
Direct contribution to government	470	458
Add the following collected on behalf of the government:		
Value-added tax (net)	212	197
Employees' tax and UIF	235	188
	917	843





Review of operations

We hold distribution rights mainly on an exclusive basis for excellent product brands. These rights usually cover Africa south of the equator. Our most important group objective is to optimise growth within our existing portfolio of businesses through expanding their product offering, increasing market share and improving their geographic spread. Growth is augmented by the acquisition of additional agencies, both within existing operations and through business acquisitions.

Our businesses fall into two categories: consumer-related products and engineering consumables.

Consumer-related products	31
Engineering consumables	36
Black economic empowerment	41
Geographic footprint	42

Consumer-related products

The main business of this segment is the distribution and supply of products to intermediaries (retailers or installers) for ultimate use by consumers or in applications driven by consumer spending. Activity in light construction (houses and commercial premises) also impacts demand, particularly for our power tools, security and data networking products.



This segment comprises the following main businesses and activities:

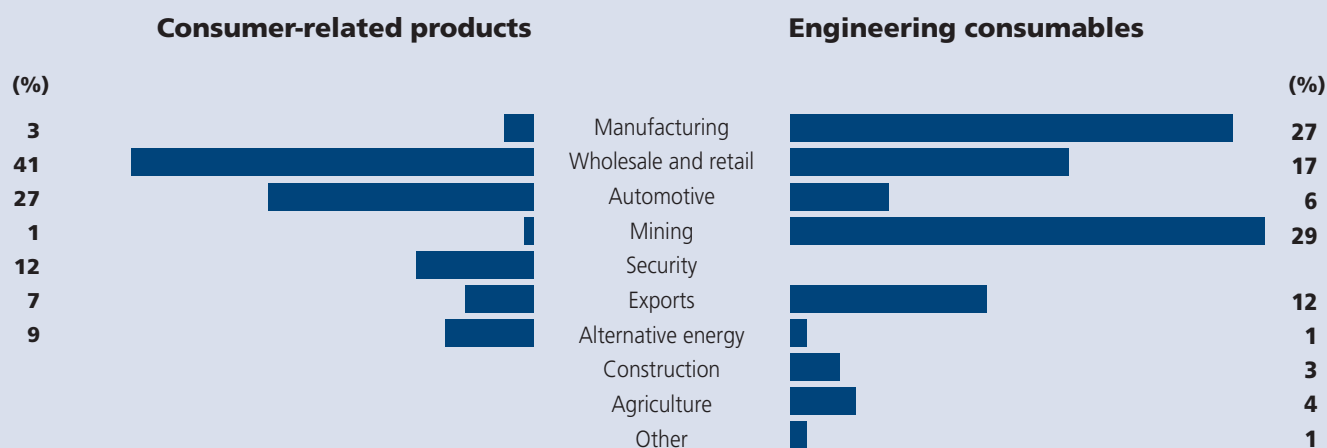
- Partquip distributes a select range of automotive components.
- A-Line Wheels distributes alloy and steel automotive wheels and accessories.
- Ironman 4X4 distributes 4X4 suspension and accessories.
- Abes Technoseal distributes light and heavy-duty clutch kits, ignition leads, oil seals and wiper blades.
- Rutherford distributes Makita industrial power tools, Mercury marine engines, survey equipment and nuclear gauges.
- Boltworld supplies a comprehensive range of fasteners, including rivets, screws, bolts, nuts and washers.
- MiRO and SS Telecoms are value-added distributors of IP convergence technologies, including wireless networking, IoT, VoIP and physical security solutions.

- The Elvey Security group, which comprises Elvey Security Technologies, Pentagon and Global Communications, distributes intruder detection, surveillance, access control, fire detection and telecommunications infrastructure, both analogue and digital.
- Eternity Technologies, Deltec, Specialised Battery Systems and Hudaco Energy distribute traction, automotive, stand-by and solar battery systems, providing solar power and storage solutions for the commercial, industrial and residential markets and provide comprehensive forklift battery management services to distribution centres and warehouses.
- Cadac distributes gas and outdoor leisure products under the iconic South African CADAC brand to major retailers and independent traders throughout southern Africa.

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Refer to page 35 for a geographic analysis of the source of supply of the consumer-related products range.

SALES BY MARKET SECTOR – 2023



Consumer-related products continued

Performance

The consumer-related products segment comprises 12 businesses. In 2023, it made up 50% of Hudaco's sales and 50% of operating profit. In 2022, this segment contributed 52% of Hudaco's sales and 58% of the group's operating profit.

The economic pressure experienced in this segment is clearly reflected in both the turnover and the operating profit. Consumer spending was suppressed yet again because of the impact of load-shedding, high fuel prices, inflation, rising interest rates, unemployment and a depressed economy. Nevertheless, most of the businesses in this segment produced credible results, albeit not as strong as in recent years. The security division continued its strong recovery from the lows of two years ago, CADAC continues to go from strength to strength and our traction battery business delivered a strong turnaround under its new management team so it is making good progress. Disappointing in 2023, particularly in the second half, were Specialised Battery Systems, Hudaco Energy and Deltec, where the expected sales of solar panels, inverters and batteries did not materialise because the South African market has been saturated with product.

Segment sales increased by 3.7% to R4.4 billion. Pressure on the consumer and reprioritisation of discretionary spend meant that margins were squeezed, so the operating profit decreased by 10.4% to R592 million, and the operating profit margin was down from 15.5% in 2022 to 13.4% in 2023. Consumers were often faced with having to decide between installing alternative sources of energy, home renovations, upgrading security, conducting non-urgent maintenance on their vehicles and buying new wheels or boats but did not have the funds for all requirements.

Automotive aftermarket:

Partquip, A-Line Wheels, Abes Technoseal and Ironman 4X4

During turbulent economic times, with limited consumer disposable income, the aftermarket parts market is usually resilient, since vehicle repair is more affordable than replacement. In 2023, cash strapped consumers were faced with having to prioritise spend across competing needs, such as provision of electricity, resulting in a reduction in or deferral of discretionary spend and price sensitivity, with a tendency to sacrifice quality for price. Logjams at the ports also impacted these businesses, particularly in the latter part of the year. Volumes, revenue and margins were all down on 2022 but the performance of these businesses remained strong in the circumstances.

Partquip remains Hudaco's biggest business and distributes a select range of automotive components, including suspension, wheel bearings and rubber mountings, to resellers in the automotive aftermarket, primarily motor spares retailers.

A-Line Wheels distributes alloy and steel wheels, under its own A-Line trademark, together with accessories, to both OEMs and wheel and tyre fitment centres. Its wheels meet strict safety criteria and it seeks to deliver the latest trends and most attractive designs to suit all automotive enthusiasts.

Ironman 4X4, with its primary supplier Ironman 4X4 International in Australia as a 50% shareholder, represents the Ironman 4X4 vehicle accessory brand as sole distributor for the southern Africa market. It had a successful year with strong growth from its Gauteng retail fitment centre and from exports into southern Africa.

Abes Technoseal distributes light and heavy duty Valeo and PHC Valeo clutch kits, Bougicord ignition leads and Valeo cabin air filters. The sealing division offers hydraulic and pneumatic seals to the industrial

and construction equipment markets and rotary shaft seals for the automotive and general engineering sectors.

PRINCIPAL BRANDS: AUTOMOTIVE AFTERMARKET

	Select range of quality guaranteed automotive components.	Own brand since 1984
	Select range of alloy and steel wheels.	Own brand since 1999
	4-wheel drive suspension, accessories and camping equipment.	Sole distributor since 2005
	Light and heavy duty clutch kits from France.	Exclusive distributor since 2005
	Clutch kits from Korea.	Exclusive distributor since 1994
	Oil seals from Germany.	Preferred distributor since 1950
	Ignition cables from France.	Exclusive distributor since 2007

Power tools and fasteners:

Rutherford and Boltworld








Rutherford represents Makita Japan, a market leader in the production of industrial power tools and outdoor power equipment Makita has seen growth in cordless power tool and outdoor power equipment sales due to its improvement in battery technology. Rutherford markets both the premium industrial Makita range and the excellent second-tier industrial power tool range, Makita MT. Volumes and revenue were well down in 2023 in the face of the impact of load-shedding on the construction industry and the availability of lower-priced products. On the positive side, the decline started to reverse toward the end of the year.

Boltworld is a leading distributor of industrial fasteners, offering a comprehensive range of bolts and fasteners. It leverages off the Rutherford branch network. After at least two years of exceptional growth, this business also faced headwinds in 2023 from the load-shedding induced decline in the construction sector and aggressive competitor pricing. In response, it has done an excellent job in managing its inventory down to align with requirements.

Rutherford Marine, the southern African distributor for both the Mercury outboard and the Mercruiser inboard motor brands, also offers a wide range of marine accessories and boat-motor-trailer packages to dealers. The business felt the effects of pressure on discretionary spend and the fade of the positive impact of the staycation, which became popular in response to the Covid-19 pandemic.

VI Instruments, Rutherford's survey instrumentation division, promotes both the South and Ruide survey instrumentation brands, which offer high-quality value to the market. In addition, VI markets the American Troxler brand of nuclear density gauges throughout Africa. VI Instruments performed very well in 2023 and should continue to show strong growth.

PRINCIPAL BRANDS: POWER TOOLS AND FASTENERS

	Japanese designed industrial power tools.	Distributor since 1968 Sole distributor since 1985
	Outboard motors from USA.	Sole distributor since 1986
	Inboard motors and sterndrives from USA.	Sole distributor since 1986
	Construction testing equipment, including nuclear gauges used for compaction control of soil, concrete, asphalt and aggregate from USA.	Sole distributor since 1974
	Global positioning systems and survey instrumentation from China.	Sole distributor since 2015
	Global positioning systems and survey instrumentation from China.	Sole distributor since 2014
	Quality range of pre-packed fasteners.	Sole distributor since 2018

Security and communication equipment:

Elvey Security Technologies, Pentagon and Global Communications (Elvey group)

Notwithstanding the challenging year experienced by the security industry in South Africa, which saw the closure of the local offices of a significant international competitor, Elvey group's strong recovery continued on the solid foundation put in place by the new management team in the previous year. As well as it performed, operating margins are still not where they could be and there is still opportunity for considerable further leverage off the existing cost base.

Elvey group is the distribution business of security-related products and communication solutions within the Hudaco group. It goes to market through its national infrastructure of 14 branches and a network of sub-distributors. It seeks to drive value to the market through its system integrators, security partners and installers.












The management team continued to build strong relationships with suppliers and a highlight this year was regaining exclusivity on the DSC distributorship, which had been shared for the past few years, as well as the retention of exclusivity for the Texecom brand. Elvey remains the largest AJAX distributor in the country and has received the award for best AXIS distributor of 2023 for South Africa. Also pleasing was the growth in market share through the addition of new clients. The security industry faces increasing commoditisation whereby consumers are largely purchasing security equipment based on pricing as opposed to benefits offered by brands, a trend fuelled by the ever-increasing number of cheap imports available in South Africa, particularly from China. This is a typical pattern in a tough economic climate and it normally reverses when the economy improves.

Global Communications has succeeded in growing run-rate sales of both Kenwood and Sepura portable radios. Pentagon specialises in high-value projects with system integrators. Project business in both Global Communications and Pentagon continues to grow and improved project management disciplines and better management of risk through contract terms are now well embedded.

The primary reason for acquiring Commercial ICT several years ago was to secure the Permacon distributorship, which is now managed through Elvey Security Technologies.

Elvey group has invested in building strategic partnerships as the trusted advisor for security solutions. It supplements its product offering with superior service, training, and top-class technical support. The journey to become the most influential distributor of security and communications-related products and solutions remains well on track.

PRINCIPAL BRANDS: SECURITY AND COMMUNICATION EQUIPMENT

	A leading manufacturer of alarm systems from the UK.	Sole distributor since 2018
	Canadian manufacturer of intrusion detection products.	Distributor since 1990 Sole distributorship regained in 2023
	Japanese intrusion detection devices.	Distributor since 1987
	Ukrainian manufacturer of wireless self-contained intruder detection and smart home systems.	Distributor since 2021
	Mobile radio solutions and networks.	Sole distributor since 1987
	South African manufacturer of access control systems.	Distributor since 2011
	Designer and manufacturer of integrated video management system (VMS) software and servers from Canada.	Distributor since 2018
	Manufacturer of building performance and analytics solutions.	Distributor since 2018
	Manufacturer of security and safety systems.	Distributor since 2011
	Manufacturer of video surveillance products.	Distributor since 2019
	Manufacturer of body-worn cameras.	Distributor since 2010

Consumer-related products continued






Data networking equipment:

MiRO

The market was overstocked for much of the year as global chipset availability normalised after the shortages created by Covid-19 and suppliers delivered back-orders in bulk. Distributors responded by reducing prices to trade out their excess quantities, which put pressure on margins. In the last quarter of 2023, the market switched to undersupplied, primarily because of the delays in getting inventory through South African ports. A key supplier now selling directly into our market has also exerted pressure on selling prices and margins.

MiRO provides a complementary product range available under one roof to meet the strong demand for connectivity in southern Africa, including fixed wireless broadband, Wi-Fi, fibre-based technologies, home automation and IoT. The MiRO B2B/B2C e-commerce website continues to grow as an effective route to market.

SS Telecoms no longer trades separately as its product range has been fully integrated into the Miro business, thereby eliminating all associated costs.

PRINCIPAL BRANDS: DATA NETWORKING EQUIPMENT		
	Wireless data communication products from USA.	Distributor since 2008
	Wireless products and routers from Latvia.	Distributor since 2006
	Wireless broadband solutions from USA.	Master distributor since 2016
	Complete VoIP telephony solutions.	Distributor since 2005
	Smart home solutions from China.	Distributor since 2021

households and small industries faced with ongoing load-shedding. The larger data centre projects continues to be the backbone of the business. Management lapses were a significant contributing factor to the performance and corrective action has been taken, with a new team now in place. Also, the business struggled with inventory levels, with shortages early in the year and then a surplus when the market became saturated with sustainable energy products.

Eternity Technologies operates in the traction, forklift and battery bay markets, supplying large warehouses that operate 24/7. Eternity also has a formation plant, which assembles and forms locally the complete range of 2 Volt surface motive power cells. The BSLBATT Lithium-ion product range provides new and replacement batteries for all types of material handling equipment.

Eternity Technologies had a vastly improved year with the new management team making great strides in reversing the effects of poor decisions made in 2022. Revenue and margins are well up, notwithstanding the costs of corrective action taken and the impact of delays in getting critical components through the Durban container port, which necessitated the factory going onto short time for a while.

Hudaco Energy was established late in 2021 to provide solar power and storage for commercial, industrial and residential applications, supporting other Hudaco businesses in its comprehensive solution offering. It is positioned as a value-adding distributor of premium (Tier 1) products and has added a range of plug and play inverters. In addition to inverters and PV modules, Hudaco Energy incorporates products such as batteries, diesel generators, electrical cables and electrical accessories, sourced from within the group.

With the rapid growth in 2022 and 2023, in both Deltec and Hudaco Energy, we have identified the opportunity for these two businesses to work more closely together and possibly to be integrated into a single synergistic operation. The current challenge is to respond to the glut of product that has saturated the South Africa market and driven stressed competitors and opportunist market entrants to liquidate stock at low prices. We have committed additional management resources to assist in navigating through the difficult environment.

Batteries and sustainable energy:















Deltec, Specialised Battery Systems, Eternity Technologies and Hudaco Energy

Deltec focuses on the automotive, mining, solar and lithium-based product markets. 2023 proved to be a year of two completely different halves for the business, following a very successful 2022. In the first half, Deltec was thriving, not least because of the boost in demand created by increased load-shedding. From June, though, demand dried up in the face of a surfeit of cheap product in the market and the pull-back of cash-strapped consumers. Many small competitors have been desperate to liquidate their inventory to stay afloat and there is no point in being lured into the same tactic. It is better to wait for the market to return to an equilibrium, although this means remaining overstocked for a few months and right-sizing the cost base in the interim.

Specialised Battery Systems (SBS) supplies stand-by battery systems for support infrastructure in the UPS, telecommunications and security alarm markets. SBS had a very disappointing 2023 on the back of an exceptional 2022, supplying inverter and battery pack solutions to



PRINCIPAL BRANDS: BATTERIES AND SUSTAINABLE ENERGY


	Sealed lead-acid batteries.	Own brand since 2000
	Batteries for golf carts and industrial machines.	Sole distributor since 2012
	Back-up power in UPS, telecoms security, etc.	Sole distributor since 2012
	Back-up power in UPS.	Sole distributor since 2000
	Back-up power (UPS) and solar systems.	Sole distributor since 2000
	48V Lithium battery modules for solar systems (energy storage systems).	Sole distributor since 2018
	Custom solar systems using the SBS solar products.	Sole distributor since 2009
	Full international range of British standard cells, DIN standard cells and BCI standard cells.	Distributor since 2014
	Innovative and tailor-made systems for charging batteries in intralogistics.	Distributor since 2013
	Improving the life and performance of industrial batteries.	Sole distributor since 2008
	Full range of all SMP Lithium-ion battery modules to accommodate all different OEM model types.	Sole distributor since 2018
	Wireless inductive charging for AGVs and traction applications.	Sole distributor since 2021
	Solar and hybrid inverters and lithium storage.	Distributor since 2021
	PV modules (solar panels).	Distributor since 2021

Gas and outdoor products:

CADAC

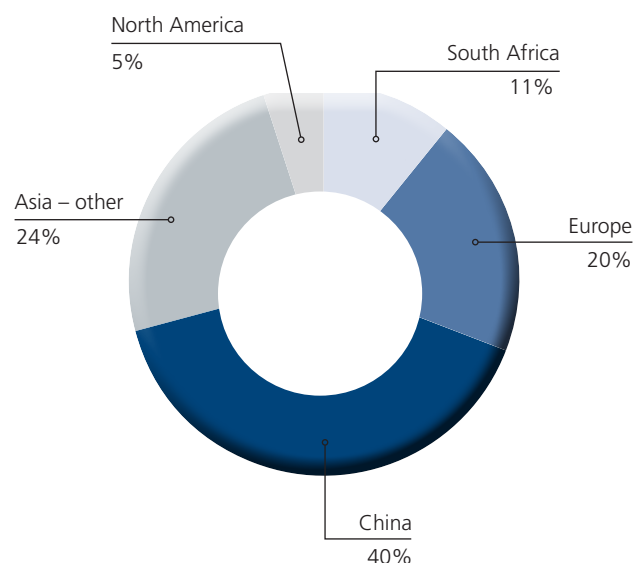
Hudaco acquired the business of Cadac South Africa with effect from 28 February 2022, including a 20-year distribution right for the iconic CADAC brand for southern Africa. The CADAC brand has been warming the hearts and homes of South Africans for the past 75 years and includes an extensive, product range trusted by consumers and synonymous with quality, safety and value for money. The business continued to perform exceptionally well, with an excellent winter season, although somewhat tempered in final quarter of the year, primarily because of difficulties in getting the summer range through the Durban port in time for the Christmas rush. We remain convinced that the CADAC business has enormous potential within the Hudaco group and it has expanded the capacity of its assembly facility accordingly. The goal is to bring gas-related products to customers safely, conveniently and affordably.

PRINCIPAL BRAND: GAS AND OUTDOOR PRODUCTS

	Gas-related products, parts and accessories.	Distributor since 2022
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Consumer-related products

Source of products



Engineering consumables

Most businesses in this segment distribute mature industrial products to mature economic segments (mainly mining and manufacturing).



This segment comprises the following main businesses and activities:

- Bearings, belting and power transmission: Bearings International, Belting Supply Services and Brewtech have over 50 branches across southern Africa. The main brands distributed are FAG, INA and Koyo and Rexnord bearings, Habasit belting and Rexnord bearings, chain and sprockets. These businesses also distribute seals, electric motors and a range of transmission products.
- Diesel engines and spares: Deutz Dieselpower represents Deutz AG, one of the world's leading independent manufacturers of air-cooled and liquid-cooled medium-sized compact diesel engines. It also represents HJS, a German manufacturer of high-quality sintered metal filters and other exhaust aftertreatment products.
- Filtration: Filter and Hose Solutions (FHS) is a leading distributor of high-quality filtration products, including the Donaldson, Filtrec and Mann + Hummel brands, and filtration solutions for a broad range of applications.
- Fire detection, containment and suppression: Brigit Fire distributes fire detection, containment and suppression products and solutions.
- Hydraulics and pneumatics operations comprise HERS, Dosco, Ernest Lowe and Gear Pump Manufacturing (GPM), which manufactures high-quality gear pumps for the local and international markets, with a sales presence in the USA and UK.
- Specialised steel: Ambro Steel, Sanderson Special Steels, Bosworth (pulleys), Joseph Grieveson (castings) and The Dished End Company (dished ends for pressure vessels).
- Electrical power transmission: This comprises Powermite (mining and industrial cabling and connectors), Three-D Agencies (cable accessories) and Varispeed (electric motor control).
- Thermoplastic pipes, fitting and equipment: Astore Keymak imports thermoplastic pipes and fittings and manufactures drag-line hose, while the newly acquired Plasti-Weld imports plastic welding equipment, hot-air tools, specialised test and inspection equipment and thermo cutters and manufactures plastic welding rods.

Performance

The 19 businesses that constitute engineering consumables made up 50% of sales and 50% of operating profit. In 2022 this segment contributed 48% of sales and 42% of operating profit.

The segment increased turnover 14.9% to R4.5 billion and operating profit by 23.7% to R581 million. The two most significant market sectors in this segment are mining and manufacturing, and we have managed to grow sales again this year. Most of the businesses in this segment performed well, with outstanding performances coming from our businesses supplying diesel engines, gear pumps, bearings, industrial and mining cable, electrical accessories, inverters, modular belting and filtration. The operating profit margin increased from 12% to 12.9%, primarily off operating expense leverage. In 2021 the operating margin was 10.4% so the increase over two years has been noteworthy.

As with the consumer-related products businesses, Hudaco's engineering consumables businesses are geared towards general economic activity (GDP). Fixed investment (GDFI) spending is important to our businesses but mostly because it creates future economic activity. This characteristic makes earnings of this segment less cyclical compared with, for instance, sellers of capital equipment. However, during economic downturns, customers reduce activity and often mothball capital equipment, from which they can strip replacement parts. This obviously impacts our sales, but it generally does not last long and demand soon resumes.

The main brands stocked by Hudaco are of European or Japanese origin or design but are manufactured in many countries around the world, including China. We are often asked if there is a threat of cheaper Chinese and Indian brands taking market share from Hudaco. When manufacturers in countries with lower production costs reach the appropriate quality-to-price standard, as they do, Hudaco is a logical and sought-after local distributor. We carry many brands from these countries alongside our more established brands and increasingly offer them to customers when we are confident that quality matches the application. We have first, second and sometimes third-tier products in most of our businesses.

Most businesses in this segment distribute mature industrial products to mature economic segments (mainly mining and manufacturing). These market sectors were in decline for many years, partly due to natural boom and bust cyclicity of resources but also due to investment unfriendly regulations and political posturing. There has been a significant recovery in commodity prices in the last few years, accompanied by greater activity in the mining sector in particular. This activity, which has declined notably towards the end of 2023, together with strong stockholding, has contributed to the strong operating performance. While the expense structure of Hudaco's businesses in this segment is considerably higher because of the extensive branch network and the large number of separate businesses, the rationalisation of elements of this cost structure in recent years has also assisted in enhancing performance.

The recruitment and retention of skilled technical professionals is becoming increasingly difficult in most of the businesses in the engineering consumables segment.





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Refer to page 41 for a geographic analysis of the source of supply of the consumer-related products range.

Thermoplastic pipes, fittings and equipment:

Astore Keymak

Astore Keymak is a leading supplier and manufacturer of a comprehensive range of thermoplastic pipes, pipe fittings, hoses, valves, and pipeline accessories in various engineered plastic materials. Its key market segments include irrigation, industrial, mining and infrastructure. The strong recovery shown in 2022 continued through 2023 with the addition of a new extrusion line at the Keymak manufacturing division in July 2022 continuing to enhance capacity and operational efficiencies. The Astore division also performed well although government investment in or maintenance of water and sanitation infrastructure remains woeful.

PRINCIPAL BRANDS: THERMOPLASTIC PIPES, FITTINGS AND EQUIPMENT		
	Thermoplastic pipes and fittings from Austria.	Sole distributor since 1995
	Mechanical seal compression fittings from Italy.	Sole distributor since 1997
	PVC pipes, fittings, and valves from Italy.	Sole distributor since 1997
	Plastic welding equipment and hot air tools from Switzerland.	Sole distributor since 1994

Bearings, belting and power transmission:

Bearings International, Belting Supply Services and Brewtech

Bearings International distributes bearings and seals, transmission products, chains, belts and electric motors through its extensive branch network to diverse end-user segments (including mining, steel, manufacturing, petro-chemical, sugar, other agriculture, wholesale and retail). It is also a distributor and repairer of geared and electric motors, industrial helical, bevel and worm transmissions and drive solutions. The business previously known as Hudaco Power Transmissions has been fully integrated into Bearings International, which provides a far more extensive route to market and allows for operational efficiencies.

Bearings International grew both revenue and profitability again in 2023, demonstrating its capacity to achieve operational leverage off its extensive branch network. The business could have performed even better were it not for the problems experienced in getting shipments through the ports. On the positive side, sales of bearings to Toyota South Africa, a consistent contract customer that had to close for several months in the aftermath of the devastating floods in KwaZulu-Natal in April 2022, returned to normal. We feel that our slogan "In motion" and our people's commitment to the promise of improving equipment uptime and reducing total cost of ownership for our industrial customers are key to our success. We will continue to focus on enhancing the customer experience and the value proposition of related products and services. We will also continue to look for the right opportunities to expand the branch network and our network of partners in southern Africa in 2024.












Belting Supply Services and Brewtech have been in the same premises since 2021 and are now managed by the same managing director, all of which has assisted in driving operational efficiencies and strategic cohesion.

Belting Supply Services is a leading supplier of quality rubber and PVC belting-related products, industrial hose and cryogenic valves, instrumentation and sealing products predominantly into the food and beverage and industrial sectors. It is a distributor for Habasit and Forbo belting, NCR industrial hose, Bestobell valves as well as NDC, Sauter and Madelena instrumentation. As part of its value proposition, it offers a 24/7 on-site splicing service for large industrial customers.

Brewtech is a leading supplier of a range of stainless steel and plastic flat top chains, plastic modular and wire mesh belts, related conveyor components and specialised engineered plastic parts that are mainly produced in-house for applications within the food and beverage and related manufacturing and packaging sectors. It is a distributor of the Rexnord, System Plast, Marbett, MCC and Intralox ranges of chains and has in-house engineering capability to design and produce complete conveyor systems.

At Belting Supply Services, growth in turnover with steady gross margins and leveraging off careful cost management yielded a pleasing operating result. The establishment of a presence in five additional locations contributed to the growth. Brewtech also had an excellent year, regaining market share in the beverage industry. It has also mitigated the risk of dependence on a single industry segment by focusing on other segments too.

Engineering consumables continued

PRINCIPAL BRANDS: BEARINGS, BELTING AND POWER TRANSMISSION		
	Precision bearings from Germany.	Distributor since 2005
	Ball and roller bearings from Japan.	Sole distributor since 1962
	Bearings and transmission from USA.	Distributor since 2001
	Chain and sprockets from the Netherlands.	Distributor since 2010
	Split roller bearings from UK.	Distributor since 1937
	Electric motors and smart sensors from Europe and Asia.	Distributor since 2020
	Industrial hose from Thailand.	Sole distributor since 2002
	Transmission and conveyor belting from Switzerland.	Distributor since 1970
	On-line or at-line analysers from the USA.	Sole distributor since 1994
	Building, HVAC and process control from Germany.	Sole distributor since 1980
	Plastic chain and modular belts from Italy.	Distributor since 2021
	Geared motors from Germany.	Sole distributor since 1989

Diesel engines and spares:

Deutz Dieselpower (DDP)

Deutz diesel engines are designed for high-end, heavy-duty variable speed and high-load industrial applications, and their primary market is the mining industry. Most Deutz engines sold into Africa south of the equator – broadly the geographical area for which DDP has responsibility – are fitted to underground equipment manufactured in other parts of the world and imported by original equipment manufacturers (OEMs).



Therefore, DDP's principal activity is providing support for Deutz engines through service, spare parts, reconditioned engines, the sale of replacement engines to customers, and supplying new engines to the limited number of local OEMs in this region. The service business forms

an integral part of DDP's activities, so a key strategy is to continue growing the engine population and thereby secure the aftermarket business. DDP achieves this by offering excellent support for Deutz engines wherever they are located. It is becoming increasingly more difficult to find competent field service technicians in certain areas.

DDP performed exceptionally well again in 2023, mainly due to a strong performance in the mining and power generation segments. The mining market is expected to be more difficult in 2024, with mines already moving to a cost-cutting mindset in the face of lower commodity prices.

DDP again benefitted from the robust activity in copper mining in central Africa, resulting in another solid performance from our Zambian operation, with further growth of the business from Zambia into the DRC. Export business, particularly to Zimbabwe, performed very well in 2023.

The performance in the power generation market remains positive, mainly through sales of genset engines to local genset manufacturers and complete generating sets. Demand remains robust due to the ongoing load-shedding but the market is currently overstocked with many suppliers importing low cost generators from China.

PRINCIPAL BRANDS: DIESEL ENGINES AND SPARES		
	Air and liquid-cooled engines from Germany 12 – 620kW.	Sole distributor since 1969
	Exhaust after-treatment systems from Germany.	Distributor since 2018




Filtration:

Filter and Hose Solutions (FHS)

FHS is one of the largest heavy-duty aftermarket filtration distributors in Africa. It is an authorised distributor of Donaldson, Filtrec, Mann + Hummel and other premier filtration brands. FHS delivers a complete range of fuel, lube, coolant, and air filters for diesel engines, as well as hydraulic and bulk filtration for the mining, agriculture, construction and manufacturing industries, together with value-added services, including but not limited to technical expertise, customisable service kits and strong logistics capabilities. In addition, FHS manufactures exhaust systems for heavy-duty and automotive applications, mainly in open cast mining, on-highway truck and military markets.

FHS achieved strong revenue growth during 2023 and was able to take advantage of the operation leverage to boost its bottom line. The focus on a delineated route-to-market strategy has continued to yield positive results. The metal fabrication division showed particularly strong growth, albeit small in the context of the business, and there is a long-term strategy to build this business. The management team is optimistic about prospects and continues to identify opportunities to diversify target market sectors.

PRINCIPAL BRANDS: FILTRATION





	Heavy duty filtration from USA.	Distributor since 1994
	High-performance hydraulic filtration from Italy.	Sole distributor since 2003
	German-based global technology leader in filtration.	Distributor since 2012

Fire detection, containment and suppression:

Brigit Fire

Brigit Fire offers “One Source Total Fire Protection” that includes fire detection, fire containment protection and fire suppression systems. Brigit distributes several products that it has developed itself, along with leading international products, throughout Sub-Saharan Africa. The products offered are singularly focused on fire security and safety disciplines, specifically required for commercial and industrial applications. It was acquired only three months before year-end and performed in line with expectations.

PRINCIPAL BRANDS: FIRE DETECTION, CONTAINMENT AND SUPPRESSION

	Various OEM brands for gas suppression systems.	Own brands since 2015
	Fire panel and smoke detector manufacturer in UK.	Sole distributor since 2010
	Valve and special risk manufacturer in Luxembourg.	Sole distributor since 2015
	Optic fibre heat and acoustic sensing from USA and Germany.	Sole distributor since 2023

Electrical power transmission:

Powermite, Varispeed and Three-D Agencies

The businesses in this portfolio have been brought together into a broader electrical cluster with a focus on working together to provide the market with a comprehensive electrical supply offering. The electrical portfolio includes:

- Powermite – solution provider for flexible electrical cables and a comprehensive range of associated equipment and components.
- Varispeed – solution provider of industrial automation and electric motor control solutions.
- Three-D Agencies – a leading supplier of electric cable-related equipment and accessories.










Powermite had a significantly improved year in 2023, after a very disappointing 2022. The business should continue to strengthen in 2024, with encouraging signs in the market and a clear market strategy.

Varispeed experienced a third consecutive year of outstanding performance that would have been even better had it not been for difficulties in obtaining stock from a key supplier. Greatest sales

growth was to the agricultural, manufacturing, wholesale and mining segments. The branch network performed very well, while exports were disappointing.

Three-D Agencies had an excellent year, with strong revenue growth and excellent operating leverage through to operating profit. It has continued to expand its product range and footprint in South Africa, with a strong focus on new customers and new market segments. Core product brands have gained good traction in the market as products of choice.

PRINCIPAL BRANDS: ELECTRICAL POWER TRANSMISSION

	Low and medium voltage variable speed drives, servos, motion controllers, PLCs and HMIs from Japan.	Distributor since 1992
	Low and medium voltage soft starters from Israel.	Distributor since 1999
	1 000V variable speed drives from America.	Distributor since 2021
	Plugs and sockets from Germany.	Sole distributor since 1974
	Own range of electrical plugs and sockets.	Since 1974
	Electrical cable from Poland.	Distributor since 1998
	Electrical feeder systems from Europe.	Distributor since 1970
	Energy chain solutions.	Sole distributor since 2023
	Uni-T instruments and meters from China.	Sole distributor since 2005

Hydraulics and pneumatics:

Ernest Lowe, HERS, Dosco and GPM

Gear Pump Manufacturing (GPM) manufactures in Cape Town and distributes high-quality bearing and bushing hydraulic gear pumps for both export and local markets. It also has a sales arm in the USA and in the UK an assembly and sales facility, which serves the European market. 70% of production is exported globally. GPM continued to experience high demand internationally, thus it delivered strong sales and operating profit growth, despite production interruptions caused by increased load-shedding. There is a steady replacement and modernisation agenda in place for some of the ageing machinery. The product quality remains well accepted with pricing and lead times remaining competitive. Demand across the world remains strong and the general view on future market trends remains positive. The biggest constraint in this business is production capacity rather than market opportunities.






Engineering consumables continued

Dosco is a leading re-manufacturer of hydraulic pumps and motors and supplies new units as a distributor of the GPM, Kawasaki and Staffa brands. It operates in the OEM and mining space. The business had a very difficult year in 2023, primarily because of lapses in management. A change in leadership has been effected and effective disciplines have already been restored. The outlook is for a normal performance for 2024.

Ernest Lowe is an authorised distributor of a wide range of globally branded hydraulic and pneumatic products. Its scope of supply far surpasses the industry norm, with in-house capabilities to assist with the design and manufacture of both hydraulic and pneumatic systems and cylinders to customer specification. The results comfortably up on 2022, with the business continuing to reap the rewards of the product and service diversification strategy that was implemented during 2020. The branch network performed particularly well but this was offset to some extent by a contraction in project related business. The project related business pipeline is strong so growth in this area is expected for 2024.

HERS is a specialist underground mining machine drivetrain repairer of axles, transmissions and torque converters, while also supplying and servicing other hydraulic products, such as hydraulic cylinders and rotary actuators. Two years ago the business moved to more expensive, state-of-the-art premises but revenue growth has been disappointing and gross margins have come under pressure, resulting in reduced operating profit. The last quarter was particularly disappointing as PGM mining customers cut back as that sector entered a downturn. Sales into the southern African market grew well in 2023.

PRINCIPAL BRANDS: HYDRAULICS AND PNEUMATICS

	European pneumatic equipment.	Distributor since 1959
	Kawasaki axial piston pumps and motors, as well as Kawasaki Staffa radial piston motors.	Distributor since 2000
	Hydraulic, grey iron, bearing and bushing gear pumps.	Manufacturer and distributor since 1985
	Axles (including sub-assembly components such as brakes, centre portions and planetary hub assemblies), transmissions and convertors.	Repairer since 2001 and official spares distributor and repairs agent in SADC since 2009 and holder of Kessler Trained Service & Repair Centre status since 2020, the only such centre in Africa.
	Axles, transmissions and torque converters, including assembly of components.	Repairer since 2001 and spares distributor since 2019

Specialised steel:

Ambro Steel group, Bosworth, Joseph Grieveson and The Dished End Company


The Ambro Steel group comprises Ambro Steel, Sanderson Special Steels and Donsteel & Forgings. It is a market leader in supplying special steels and a heat treatment service to the engineering sector. The group thrives on providing an efficient and service-friendly customer experience. Extensive metallurgical knowledge and expertise in-house compliment the service offering, as does the wide range of engineering and tool steels and the heat treatment capacity. The group achieved outstanding results in 2022 and was not able to match that performance in a much softer market in 2023. Notwithstanding the decrease, the business still delivered excellent results, with the Ambro trading division performing particularly well.

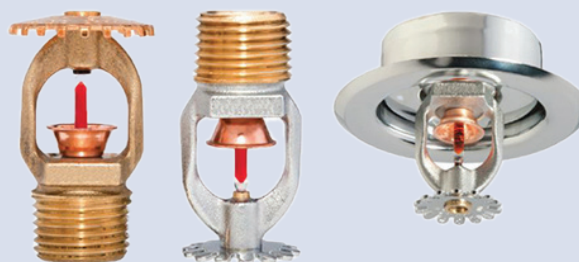
Bosworth is a leading supplier and manufacturer of conveyor pulleys, idlers, wear lining solutions and other fabricated components and operates predominantly in the mining and other bulk material handling industries. Its profitability is volatile because a key driver is the level of project business it can secure. Various initiatives to improve operational efficiencies and reduce manufacturing lead times that were started during 2022 had a positive impact. In 2023, Bosworth was successful in its stated strategy of growing its run-rate business and also managed to grow project business, so it delivered a very much stronger performance than in the previous year.

Joseph Grieveson is predominantly a jobbing foundry that manufactures ferrous and non-ferrous castings. As we have explained previously, load-shedding has a devastating impact on running any foundry. The performance in 2023 was in line with that of 2022.

The Dished End Company specialises in manufacturing various types of dished ends, from 400 mm to 5.5 m in diameter and thicknesses ranging from 4 mm to 50 mm. It also offers the pressing and flanging of small conical sections and a range of single-pressed weld caps. The business had a very slow start to the year but a strong finish. Many of its customers were badly affected by load-shedding and the business itself had to endure frustrating infrastructure failure in the form of load-shedding, cable damage in the area and cable theft on more than one occasion, which affected production capacity and increased consumption of diesel for the generator.

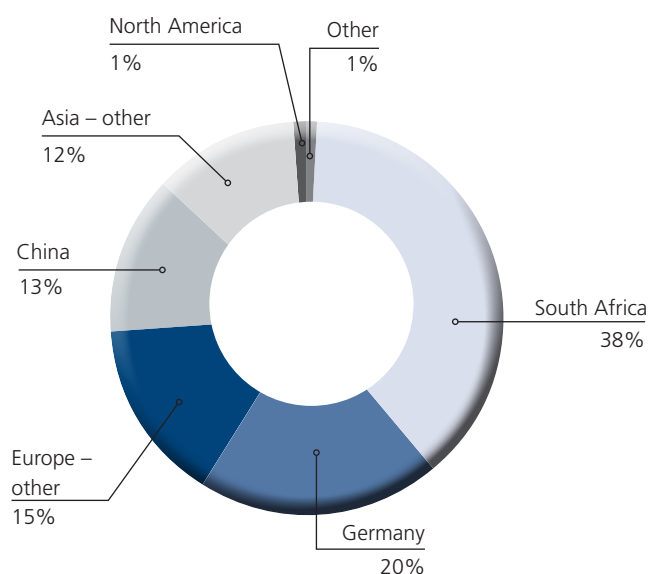
PRINCIPAL BRAND: SPECIALISED STEEL

	Ferrous and non-ferrous castings.	Manufacturer and distributor since 1915
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Engineering consumables

Source of products



Black economic empowerment

The group is audited by an independent verification body. Hudaco Trading is rated as a level 3 B-BBEE contributor, which is advantageous and applies to all the Hudaco Trading businesses, meaning that customers are able to claim 110% of their spend with us for purposes of their own scorecards. The next rating will be conducted in the second quarter of 2024.

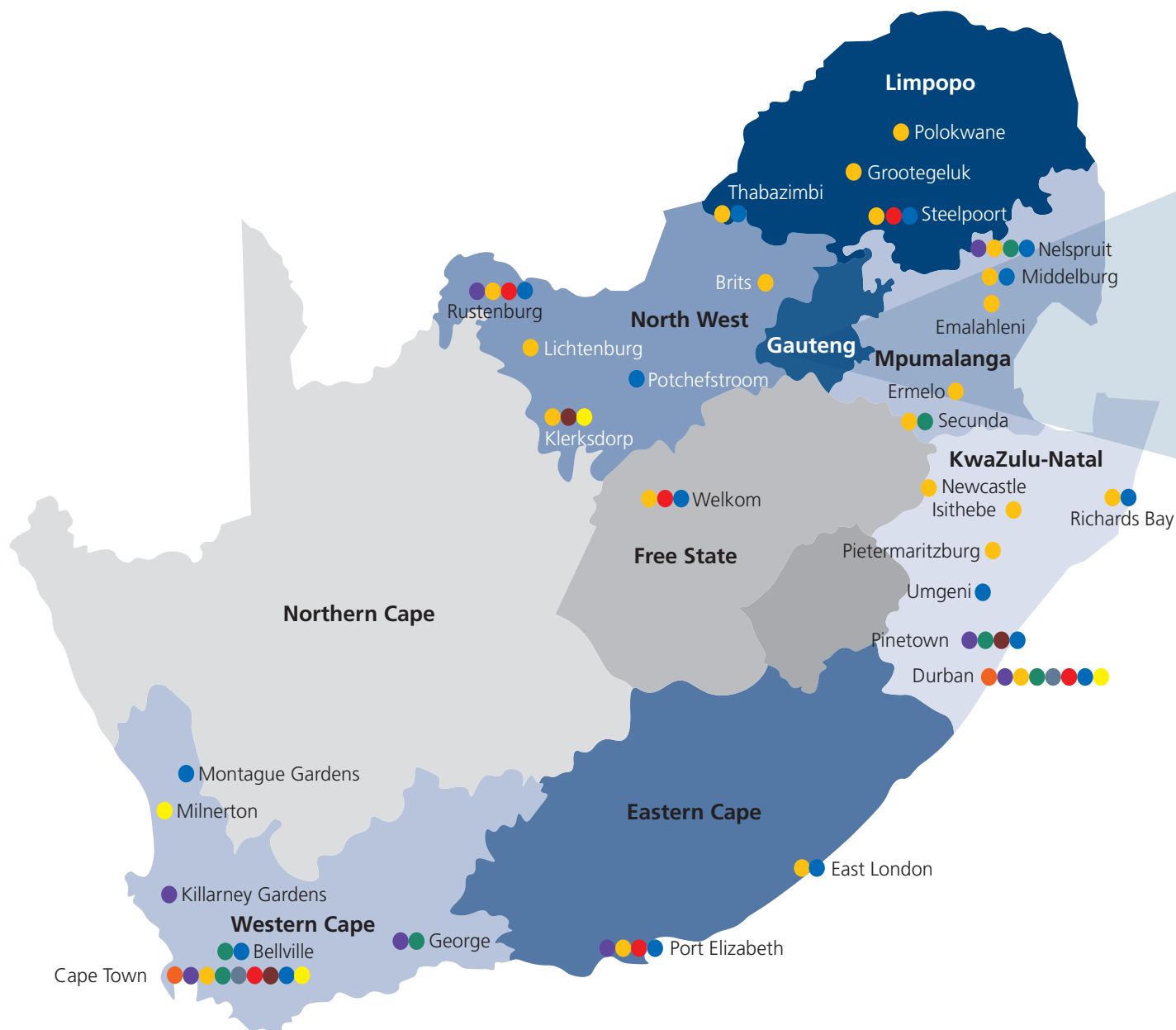
While it is difficult to quantify, we are of the opinion that our B-BBEE standing has resulted in the following benefits:

- business won;
- customers retained; and
- attracting potential acquisitions – several of the acquisitions we have made were previously 100% owned by white shareholders. Our BEE status has become critical to our acquisitive success.

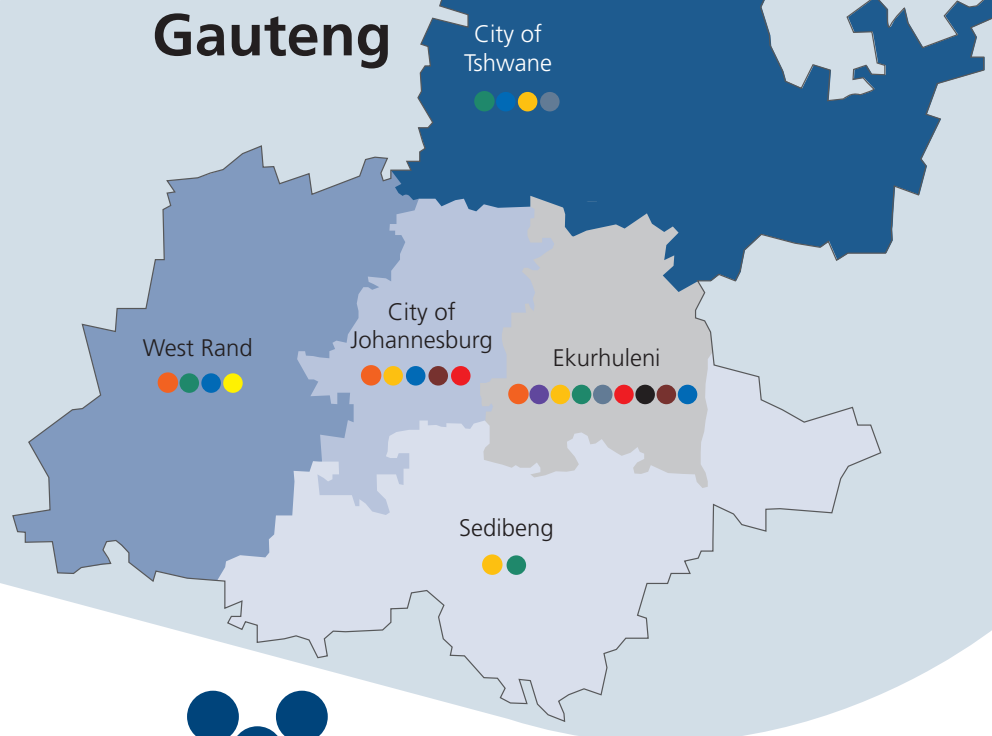
Two BEE trusts, which have identical trust deeds and beneficiaries, together own directly 15% of the shares in Hudaco Trading. The beneficiaries of these trusts are all black employees of Hudaco with at least three years' service. These trusts provide Hudaco's black employees with an economic interest in Hudaco and also enhance Hudaco's ownership component for the B-BBEE Codes. In February 2024, the trusts will distribute R11 million to approximately 1 620 black employees of Hudaco, with each beneficiary receiving R7 000.

Geographic footprint

Location of businesses



Gauteng



Number of permanent employees



	2023	2022
Gauteng	2 435	2 347
Western Cape	467	454
KwaZulu-Natal	416	408
North West	85	82
Mpumalanga	77	65
Eastern Cape	66	60
Limpopo	45	50
Free State	29	29
Namibia		15
Kenya		11
UK	7	7
Zambia	5	5
USA	3	3
Total	3 635	3 536

KEY

- AUTOMOTIVE AFTERMARKET PRODUCTS
- BATTERIES AND SUSTAINABLE ENERGY
- BEARINGS AND BELTING
- SECURITY AND COMMUNICATIONS
- DATA NETWORKING EQUIPMENT
- DIESEL ENGINES AND SPARES
- HEAD OFFICE
- POWER TOOLS AND FASTENERS
- OTHER ENGINEERING CONSUMABLES
- GAS AND OUTDOOR PRODUCTS



Quality, Reliability and Service to Customers

More than

2 780

Retail outlets that
showcase Cadac products

More than

25 million households

have Cadac products

More than

150

Employees in
the company

5 SADC countries

Cadac products available
in African countries

5 innovations

New innovation and
products introduced each year

More than

280 000

Essential LPG products sold
in SA per annum

115 suppliers

Strategic partnerships with
products and services

1948 CADAC founded as Commercial and Domestic Appliance Company (CADAC) manufacturing garden equipment

1951 CADAC expands manufacturing facility

1952 1st gas cylinder manufacturing in SA

1957 CADAC brand is established and started with manufacturer of LPG products

1980 CADAC enters UK market with products made in SA

1993 CADAC enters Europe market with products made in SA factory

2002 CADAC expanded to include international manufacture

2022 Dometic acquires the international business of CADAC EUROPE and CADAC UK, with Hudaco the sole licensee for SA and SADC

2023 CADAC evolves into Gas and Outdoor Products with 2 key brands, namely CADAC and Born Free

2023 Gas and Outdoor Products launches online eCommerce platform

Environmental, social and governance report



Sustainability commitment

As a business that has grown and expanded its operations for over a century, Hudaco appreciates that operating sustainably has to be an integral part of its strategic framework and integrated in how we conduct everyday business. Hudaco's commitment as a responsible corporate citizen, includes adopting responsible business practices and focusing on those areas where the management team believes we can make a meaningful and sustainable contribution for a better world in the future.

We believe that a sustainable business integrates a range of considerations, affecting the environment, people, and the needs of stakeholders, enabling it to create value in the long term and as a responsible corporate we will deliver products and services in a sustainable manner.

Our approach to sustainability is pragmatic and recognises that the work of integrating and embedding environment, social and governance aspects is never-ending. We are, therefore, committed to learning and continuously adapting our approach on this journey.

Hudaco



Hudaco supports sustainable development goals



Environmental

At Hudaco, we are fully aware that climate change is one of the most defining challenges of our times and we remain committed to being a responsible corporate citizen that plays an active role in the global response to climate change impact reduction, so we continue to review and shape our operations to support a low-carbon economy.

Hudaco is committed to contributing to an environment that is not harmful to health or wellbeing and that it is protected for use by current and future generations. We are committed to conduct business in a manner that complies with all relevant environmental legislation and applicable regulations and in particular the Constitution of South Africa, which states that every person has the right to an environment that is not harmful to their health or wellbeing.

Hudaco's environmental strategy aims at both proactively addressing environmental risk from its operations and contributing positively to environmental transformation and the global race to decarbonisation by:

- Reducing scope 1 and 2 carbon emissions through the evaluation and application of more efficient technologies in our operations;
- Preventing pollution and limiting harmful emissions;
- Reducing energy usage in its operations and moving to renewable energy sources where possible;
- Reducing water consumption; and
- Reducing waste to landfill and increasing recycling.

Social

Employee safety and health

The safety of our people comes first in everything we do, and, we strive towards zero safety incidents in our operations. We have intensified our focus on safety in the workplace with accountability at all levels in the organisation and the ongoing implementation and application of Hudaco's QHSE (Quality, Occupational Health, Safety and Environmental) framework that drives standardisation of policies, processes and procedures as well as continuous improvement through the deployment of best practices and sharing lessons learnt across the businesses in the group.

Hudaco's safety and health strategy is underpinned by its commitment to create an inclusive and diverse work environment, with active engagement of our employees through continuous training and communication, pro-active identification, and elimination of risks in the workplace and establishing a culture around safety and health at all levels. This inclusive approach not only makes our work environment safer but also creates a competitive advantage for our businesses and measures and monitors performance as a basis for improvement as follows:

- **Leading indicator** – Visual leadership engagement that measures the compliance of senior management conducting operational assessments to predefined minimum guidelines and requirements.
- **Lagging indicators** – The following key performance indicators (KPIs) have been adopted: LTIFR – Lost time injury frequency rate, LTISR – Lost time injury seriousness rate and AIFR – All Incident Frequency Rate. Refer to metrics on page 53.

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Other social initiatives, including skills development and transformation

Other social initiatives, including for people outside the group and other elements of transformation, are very important aspects of Hudaco's commitment to sustainability. These include:

- The development of skills of employees and their immediate family members;
- The development of skills of unemployed young South Africans to enhance their employability;
- Enterprise development;
- Supplier development;
- Socio-economic development initiatives;
- Talent management;
- Succession planning;
- Corporate ethics;
- Employee rights and collective bargaining;
- Fair and responsible remuneration;
- Risk benefits; and
- Post-retirement benefits.

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Information on these aspects is detailed in the human capital report commencing on page 54.

Governance

For extensive information on the overall governance of the company by its board and relevant committees, refer to the corporate governance report commencing on page 83. The paragraphs below are devoted to governance in the context of QHSE.

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We are committed to regularly reviewing our QHSE policies, management system, and performance in all our operations to ensure continued sustainable business practices and a safe working environment for our employees.

The major elements of our QHSE management approach can be outlined as follows:

- Our integrated management system (IMS) covers the group's operations (manufacturing sites, distribution centres and commercial sites) particularly for ISO 9001, ISO 45001, and ISO 14001 compliance.
- Hudaco has developed its own QHSE framework to drive standardisation of policies, standards and guidelines and adopting best practices across the group to strengthen our health, safety and environmental risk assessments, management and assurance processes and learning from incident investigation and sharing these learnings to prevent incidents.
- Annual risk assessments are conducted by all business units to identify health, safety and environmental risks and potential impact on the business. These are used as key inputs to drive management of control measures and improvement plans, with progress tracked by cluster and group QHSE teams.
- Regular legal liability assessments are conducted by external legal experts in the field to identify potential gaps in legal requirements and compliance registers.
- The Hudaco group risk and internal audit department conducts independent QHSE audits as outlined in the group internal audit and risk framework in all business units to determine compliance to requirements of the international standards (ISO 9001:2015; ISO 14001:2015 and ISO 45001:2018), relevant laws, regulations, and the group QHSE framework which provides third line assurance. Progress of corrective actions on identified gaps are tracked by both the internal and risk management department and the group QHSE and continual improvement manager, with results reported to the social and ethics and audit and risk management committees of the Hudaco board.
- All businesses complete quarterly attestations on key compliance criteria and minimum requirements.
- A baseline Greenhouse Gas ("GHG") emissions assessment was conducted by a third-party climate change advisory firm to determine requirements for reporting GHG emissions to the Department of Environment, Forestry and Fisheries that takes specific technology capacity thresholds for activities listed in the GHG Reporting Regulations and the Technical Guidelines into account for GHG Reporting. Activities relevant to Hudaco's operations include the assessment of electricity generators, furnaces, boilers, and heat treatment processes.

Material aspects

Our business model is based on the life cycle assessment approach which includes our entire value chain and gives us valuable input to our environmental impact, including the impact of utilisation of our products by end-users.

- Material aspects were selected based on the potential negative and positive impacts on the economy, the environment, and people, including impacts on their human rights across all Hudaco's activities and business relationships.
- Material aspects and related metrics are prioritised and aligned to support the United Nations Sustainable Development Goals that provides a shared blueprint for peace and prosperity for people and the planet. The following material aspects were selected: reduction of GHG (greenhouse gas) emissions, sustainable water usage and reduction, waste management, responsible packaging, health and safety, employee wellness, product safety and quality and customer satisfaction.
- Sustainable development goals under each of the ESG pillars are based on the opportunities for the group to positively contribute to the related global challenges and aligned with the group strategy and key performance indicators.
- The views of the board, executive committee and social and ethics committee have informed the selection and setting of goals as well as the periodic review on progress against goals on selected material aspects.
- Material aspects are absolute in measure and relates to all operations within the Hudaco group.

Management of material topics

Hudaco considers the following in relation to its activities and impact of material aspects:

- It's business relationships with all stakeholders including business partners, entities in its value chain which include suppliers, service providers and contractors directly linked to its operations, products, or services.
- Hudaco's purpose, value or mission statements, business model, strategies and related impact on stakeholders and the environment.
- The types of activities our business units carry out and the geographic locations as well as the types of products and services we offer and the market sectors we serve and their characteristics.
- The number of employees, including whether they are permanent or temporary, and their demographic characteristics (eg age, gender, geographic location).

The actions taken to manage material topic and related impacts:

- **Reduction of GHG** (greenhouse gas) emissions – a baseline assessments was conducted in 2021 for all business entities and the group as a whole, with annual objective set to reduce Scope 1 and 2 carbon emissions and increase renewable energy as a % of total energy consumption. Performance metrics (refer to page 50) are reported and tracked quarterly against objectives per business and the group. All businesses are actively exploring opportunities to reduce electricity usage and adopt solar energy where possible.

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- **Sustainable water usage and reduction** – a baseline assessments was conducted in 2021 across all business entities and the group as a whole, with objectives set annually to reduce water consumption by the end of 2025. Performance metrics (refer to page 51) are reported quarterly but tracked monthly by all businesses to ensure quicker responses to water leaks and consumption peaks. All business entities are actively exploring solutions to reduce water consumption.
- **Waste management** – a baseline assessments was conducted in 2021 across all business entities and the group as a whole, with objectives set annually to reduce waste to landfill and increase recycling as a % of total waste generated by end 2025.
- **Responsible packaging** – due to the extent of products distributed by the various business entities a baseline assessment is still in progress to establish the % of products containing plastic as part of the packaging. Once the baseline has been established objectives will be defined.
- **Health and safety** – metrics measured and reported by all businesses monthly with annual objectives set per business to improve KPI's. Various initiatives undertaken by the QHSE community across all businesses to pro-actively reduce incidents through awareness campaigns, incident investigation and root cause analysis to avoid reoccurrences, quarterly performance reviews and best practice sharing, visual leadership and 6S deployment and inspections conducted by business and group QHSE leadership. Further information is set out on the next pages.
- **Employee wellness** – comprehensive information on this aspect is set out in the human capital report on page 54.
- **Product safety and quality and customer satisfaction** – objective to align reporting and control registers to track product testing and compliance against certification standards where applicable (ie SANS, IEC, SABS). Customer satisfaction is measured and tracked in every business through quarterly and annual surveys.
- **Skills development** – comprehensive information on this aspect is set out in the human capital report on page 54.






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Progress report on material ESG aspects

Material aspect	UN Sustainable Development Goals	Hudaco Governance	Responsibility	Objectives	Status	2023 Initiatives
ENVIRONMENTAL						
GHG emissions	 Affordable and clean energy  Responsible consumption  Climate action	QHSE policy Hudaco QHSE framework Environmental reporting	Social and ethics committee EXCO Risk committee	Reduce scope 1 and 2 carbon emissions 3% by 2025 from 2021 baseline. Increase renewable energy to 5% of total electricity consumption by 2025.	Emission 1: +9% vs 2022 +14% vs 2021 baseline. Emission 2: -5% vs 2022 -0.7% vs 2021 baseline. Renewable energy = 4.6%.	GHG reporting and monitoring per business. Ongoing awareness training. Lighting assessments done and targeting replacement of conventional with LED lights. Installing solar on group owned buildings as priority and engaging with landlords to explore solar installations as part of lease renewal negotiations. Audit quality of sustainability data per month. Monthly performance reports published.
Sustainable water usage and reduction	 Clean water and sanitation  Responsible consumption and production  Climate action	QHSE policy Hudaco QHSE framework Environmental reporting	Social and ethics committee EXCO Risk committee	Reduce water consumption 3% by 2025 from 2021 baseline.	-10 % vs 2022 +13% vs 2021 baseline.	Water consumption reported and monitored monthly. Water effluent treatment being considered where applicable. Rainwater harvesting.

Material aspect	UN Sustainable Development Goals	Hudaco Governance	Responsibility	Objectives	Status	2023 Initiatives
ENVIRONMENTAL <i>continued</i>						
Waste management	 Responsible consumption and production  Life on land	QHSE policy Hudaco QHSE framework Environmental reporting	Social and ethics committee EXCO Risk committee	Reduce waste to landfill by 2% and increase recycling 3% as % of total waste generated by 2025 from 2021 baseline.	Waste to landfill +3 % vs 2022 +15% vs 2021 baseline. Recycling 91% in 2023 waste -4% pts vs 2021 baseline.	Waste generated and recycling reported and monitored monthly. Introduced approved waste management service providers. Ongoing assessment of waste streams in accordance with cradle to grave principles.
Responsible packaging	 Responsible consumption and production  Climate action	QHSE policy Hudaco QHSE framework Environmental reporting		Re-use packaging: Increase 1%.	Assessments show more than 1% is re-used.	2022 packaging assessment to be used as a baseline for increase in re-use initiative. Opportunities to reduce plastic to be identified.

GHG emissions

Scope 1 – Direct emissions from fuel combustion (CO₂e kilotons)

9%

Increase vs 2022



Scope 2 – Indirect emissions from generated and purchased electricity (CO₂e kilotons)

5%

Reduction vs 2022



During the reporting period (Dec 2022 to Nov 2023) our operations generated 24.1 kilotons of CO₂ equivalent emissions (ktCO₂e) under scope 1 and 2 that is an increase of 0.5% when compared to the 2022 reporting period.

Scope 1 – emissions (direct from fuel combustion) increased by 9% vs 2022 mainly due to increase in load-shedding and related increase of diesel usage in backup generators. Days of load-shedding increased by 62% from 205 days in 2022 to 332 days in 2023 and hours of load-shedding increased by 84% from 3 780 hours in 2022 to 6 947 hours during 2023. Fuel used in generators tripled during 2023 when compared to 2022 and equated to 8% of total fuel consumed in 2023 compared to only 3% in 2022.

Scope 2 – emissions (indirect from generation and purchase of electricity) decreased by 5% to 15 156 MWh of electricity used compared to 2022 as a direct result of increased load-shedding. Various electricity reduction initiatives are ongoing that includes converting conventional lighting in offices, warehouses and industrial operations to LEDs, energy management awareness programs, installing variable speed drives to reduce start-up loads in our industrial operations and converting to solar power where possible.

Renewable energy

A total of 686 MWh of renewable energy was generated during the reporting period from rooftop solar installations at Bosworth (located in Alberton), Bearings International (located in Boksburg) and Partquip (located in City Deep), as well as at the combined premises of Powermite, Varispeed and Three-D Agencies (located in Linbro Park). This represents 4.6% of total energy consumption for the group with a reduction of 727 tons of CO₂e, which is equivalent to that offset by 29 000 trees. We will continue to engage with our landlords to explore the installation of rooftop solar where possible. Hudaco Energy (distributor of solar panels, batteries and inverters) offered solar solutions to all employees for their own homes at preferential pricing.

Elvey Security received a three-star rating from the Green Building Council of South Africa for its commendable adherence to good practices.



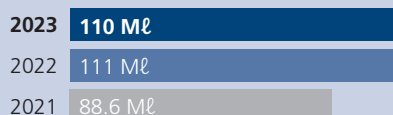
Sustainable water usage and reduction

Water consumption across the group reduced by 10% to 110 million litres for the reporting period when compared to 2022. Various water conservation and savings campaigns were initiated across the group during 2023 that contributed to the reduction. Water consumption is reported on a monthly basis by all businesses and helps with early identification of leaks in infrastructure and billing discrepancies. Various initiatives are ongoing to explore the harvesting of rainwater for irrigation and cooling where possible.

Water consumption

10%

Reduction from 2022



Waste management










Total waste generated by the group reduced by 10% from 6 263 tons in 2022 to 5 658 tons in 2023. Waste to landfill increased by 3% to 522 tons for the reporting period, mainly due to building alterations done at various operations. Waste to landfill represents 9% of total waste generated.

Waste to landfill

3%

Increase from 2022



Material aspect	UN Sustainable Development Goals	Hudaco Governance	Responsibility	Objectives	Status	2023 Initiatives
SOCIAL						
Health and safety	 Good health and wellbeing  Quality education  Sustainable cities and communities	QHSE policy Hudaco QHSE framework Group safety reporting	Social and ethics committee EXCO Risk committee	Reduce LTIFR and AIFR by 5% per annum. Introduce LTISR measure and reduce annually from 2022 baseline. Standardise risk management processes.	LTIFR = 7.64 vs 6.58 in 22 +16% LTISR = 10.69 vs 8.45 in 22 +26% AIFR = 2.62 vs 2.08 in 22 +25%	Drive pro-active awareness and workplace incident reductions <ul style="list-style-type: none"> Awareness campaigns. Performance management and objectives per business. Root cause analysis and focused improvement campaigns. Visual leadership principles deployed. 6S implementation (priority in manufacturing sites). Hudaco standardised risk assessment and management processes.
Employee wellness	 Good health and wellbeing  Quality education  Sustainable cities and communities	QHSE policy Hudaco QHSE framework Safety reporting	Social and ethics committee EXCO Risk committee	Occupational health and hygiene monitoring and improvement from 2021 baseline.	87% in 2023 vs 55% in 2022	Surveys conducted by accredited third party service providers. Intensified focus on employee wellness since Covid pandemic.
Product safety and quality Customer satisfaction	 Good health and wellbeing  Responsible consumption and production	QHSE policy Hudaco QHSE framework Non-conformance reporting (NCR) management	Social and ethics committee EXCO Risk committee	Aligned reporting and control registers. Customer satisfaction tracking against targets in all business units. Relevant product certifications in place (ie SANS, IEC, SABS).	100% implemented	Reporting standardisation as part of the integrated management system (IMS). Training on non-conformance reporting and tracking conducted. NCR and quality of corrective action to improve. Monthly data and age analysis completed and communicated to all managing directors. Six Sigma projects launched in to improve customer satisfaction.

Health and safety

LTIFR increased by 16% when compared to 2022 with the number of lost time incidents increasing by 18% to 59 in 2023 and mainly at our manufacturing operations and linked to increased production demands.

LTISR increased by 26% when compared to 2022 with the number of days lost due to injuries, increasing by 28% to 413 days lost in 2023 and mainly due to long recovery periods of employees that were involved in motor vehicle accidents.

AIFR increased by 25% vs 2022 for all work-related incidents and incidents involving property damage where employees could have been injured.

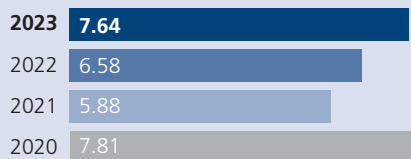
Although the overall safety performance for the group appears to have declined over the reporting period, we believe this is due to more comprehensive reporting rather than a real increase in the number

of incidents. There has been a marked transformation in fostering a more positive and accountable culture towards safety and health at all levels in the organisation. This positive shift is attributable to a series of comprehensive group initiatives undertaken during the reporting period to improve overall safety and health awareness and reduce workplace incidents. It included: developing detailed improvement plans for all businesses where improvements were lacking; various workplace safety campaigns including "returning safely to your loved ones"; hazard and risk identification training; best practice sharing; and lessons learnt from incident investigations. As a result, there had been a notable improvement in the reporting of incidents that might have gone unreported in the past, and these are now being captured and investigated. Although this does not reflect positively in the metrics at this stage, it is testimony to a more positive and transparent reporting culture that reflects the organisations commitment to a safer working environment and continuous improvement.

**LTIFR = Lost time injury frequency rate:
standardised to 1 million hours worked**

16%

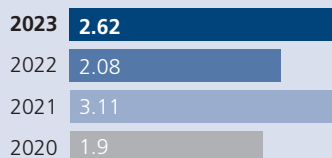
Increase from 2022



**AIFR = All incident frequency rate:
standardised to 200 000 hours worked**

25%

Increase from 2022



**LTISR = Lost time injury severity rate:
standardised to 200 000 hours worked**

26%

Increase from 2022



Product safety and quality and customer satisfaction

Customers are key stakeholders in our business and their satisfaction with our products, services and performance as a responsible citizen is of high importance. We have aligned reporting and controls across the group to track testing and conformance to relevant product certification standards as well as non-conformance to ISO and other standards as a basis for continuous improvement. CRM (customer relationship management) systems are also being used and adopted by more businesses in the group. Customer satisfaction surveillance surveys are conducted and tracked individually by the respective businesses and showed improvements during 2023.

Employee wellness

Occupational health and hygiene monitoring are being done across all businesses through third party service providers with improvement objectives set by business. Various on-site employee wellness days were held by Discovery Health to provide basic health screening to improve employee self-awareness. Medical surveillance programs implemented in all businesses that include entry and exit medicals as well as regular screening of employees to hazardous substances exposure in the workplace. Annual executive medicals are offered to all business and senior executives through Exec Care.





Human capital report

People are at the heart of our business and it is their skills, experience, commitment and application that create value for the group and drive its success. Many of the business-critical skills that we require are in short supply and we recognise the importance of attracting, developing, managing, rewarding and retaining the best people to deliver on our business goals. The way in which we invest in our human capital and express our duty of care will contribute to the growth and development of the group.

Our key focus areas include attracting and developing core skills, implementing sustainable leadership development and succession plan strategies, leveraging off technological innovation, achieving transformation and maintaining our B-BBEE rating. However, we also continue to manage other areas important to human capital success, including employee engagement, building cohesion and empowering teams, defining skills and competencies, health and safety, organised labour relations, performance management and salary benchmarking.

We also recognise that it behoves us to contribute to the development of human capital beyond just the people who work for Hudaco. As can be seen from the section on skills below, our initiatives also extend to benefitting close family members of employees, enterprises undertaken by former employees and other young South Africans seeking an education that will enable them to participate in the economy, some of whom may ultimately find permanent employment within the Hudaco group.

Workforce profile

	2023	2022
Total workforce	3 864	3 762
Less: Non-permanent employees	229	226
Total permanent workforce	3 635	3 536
Racial and gender profile		
White males	638	623
White females	340	342
African, Indian and Coloured males	1 982	1 959
African, Indian and Coloured females	675	612
Occupational level profile		
Top and senior management	113	122
Other management	1 647	1 557
Non-management	1 875	1 857
Management profile by gender		
Females	540	498
Males	1 220	1 181
Management profile by race		
White	806	805
African, Indian and Coloured	954	874
Non-management profile by gender		
Females	475	456
Males	1 400	1 401
Non-management profile by race		
White	172	160
African, Indian and Coloured	1 703	1 697
Disability profile by gender		
Females	15	14
Males	36	30
Disability profile by race		
White	5	5
African, Indian and Coloured	46	39

The average staff turnover rate for 2023 was 20%.

This report describes in three sections how we interact with and develop human capital:

- Governance of matters pertaining to human capital;
- Steps to safeguard the safety and health of our people; and
- Development of skills inside and outside the group.

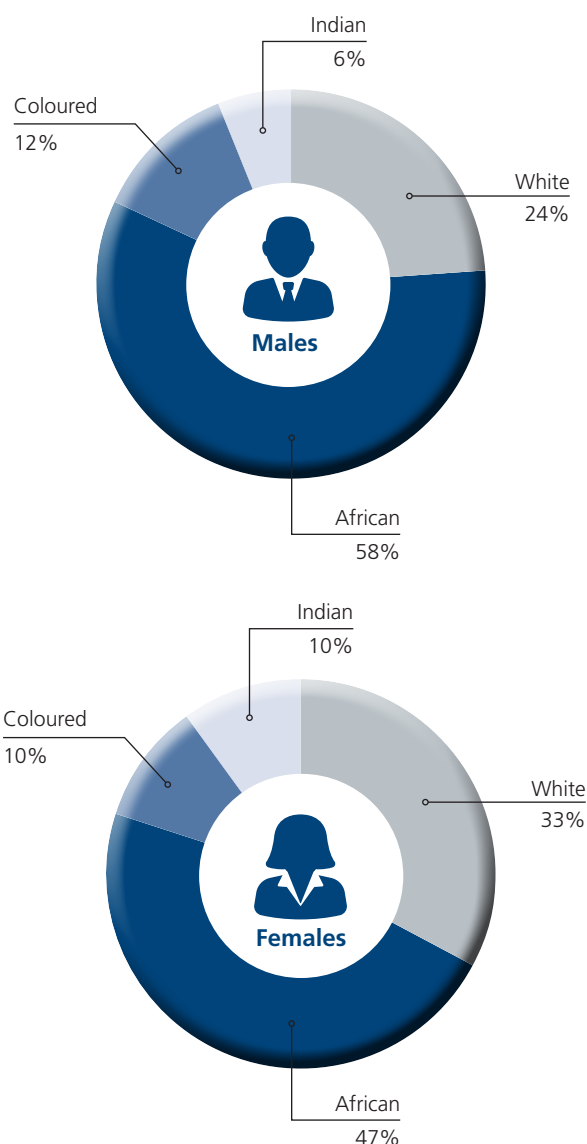
Governance of matters pertaining to human capital

Decentralised management

Hudaco has developed a decentralised management style that has proven successful over many years.

Placing decision-making responsibility into the hands of people at all levels of the organisation offers the following benefits to independently minded employees:

- delegating authority and responsibility empowers employees and allows them to respond quickly to customers' requirements and changing circumstances; and
- it instils self-discipline and encourages leadership, initiative and innovation.



We will continue to provide our full support to those of our employees, both current and future, who choose to invest in their careers, work hard and see their future within the Hudaco group.

It is an important function of group management to put in place remuneration structures to ensure decentralised management personnel keep a strong focus on the contribution they need to make to enable the group to meet group strategic objectives, while adhering to good governance and risk management principles.

Corporate ethics and governance

The cost of compliance in corporate South Africa is significant.

The ongoing introduction of new legislation, new reporting standards, listings requirements, BEE requirements, environmental, social and governance (ESG) issues, etc seems to continue unabated. ESG is currently receiving the most intense focus around the world, and justifiably so.

While compliance with all these requirements is compulsory within the group, Hudaco's executives are sensitive to the practical considerations and concerns. We therefore try to ensure that, as far as possible, compliance is head office driven. Nevertheless, many essential aspects can only be dealt with at business unit level.

The Hudaco code of ethics is in line with King IV. The code applies to all employers and employees in the group. It is communicated as part of every new employee's induction, is available on the Hudaco website, is included in all relevant training programmes, and guides us in the determination of our corporate values. These values include: fairness, respect and dignity, tolerance of alternative views, protection from victimisation, encourage healthy relationships, mutual support and loyalty. Employees are not inhibited in any way regarding collective bargaining or union membership but levels of unionisation in our businesses are low.

To facilitate enforcement of our code of ethics, Hudaco has established a fraud and ethics hotline, which is managed by an external service provider. This hotline (0800 21 21 52) enables employees, or any other party, to communicate sensitive information securely, confidentially and anonymously if they suspect that a criminal act or any contravention of the code has been committed by another employee. Some of our suppliers run compliance programmes which are extended to us – for example, Deutz AG's global policies on anti-corruption, money laundering, emissions, labour safety and compliance with Germany's federal office of economics and export control legislation.

Potential exposure to bribery and corruption is mitigated through internal controls within our businesses, by taking strong action against transgressors, closely scrutinising sales reports, conducting regular stock counts, using undercover security personnel, reviews by group internal audit and encouraging honesty and professionalism in the day-to-day activities of the businesses.

After making regular enquiries, the board is not aware of any significant non-compliance with legislation, including anti-competitive behaviour, during the year.

Code of ethics

All Hudaco group businesses and their employees are to strive conscientiously to act with honesty and integrity in accordance with a high level of moral and ethical standards in their business and interpersonal dealings.

All employees in Hudaco group businesses will be assumed to commit themselves to know, understand and support these values. Some specific values are listed below:

- compliance with laws, rules and regulations;
- fairness, respect and dignity;
- tolerance of alternative views;
- mutual trust, honesty and respect for colleagues;
- support and loyalty;
- superior performance;
- providing a safe and healthy working environment for all employees;
- management of performance and recognition;
- customer satisfaction;
- proper communication and transparency;
- confidentiality;
- non-corruption;
- avoiding any conflicts of interest; and
- care for the environment.

Ownership and BEE trusts

The beneficiaries of the Hudaco Trading BEE ownership trusts are all black South African employees of Hudaco Trading with more than three years' service. This means that Hudaco's black employees have 15% effective ownership in Hudaco Trading, the group's main operating company. The trustees have resolved that, in February 2024, the trusts will distribute R11 million to approximately 1 620 beneficiaries, with each beneficiary receiving R7 000. In February 2023, 1 700 employees each received R6 250 from the trusts.

Transformation

We acknowledge that management control is still a key area of opportunity to improve our BEE rating. The development of black management is also a national priority for the sustainability of the economy. We acknowledge that still too many of our senior management are white males and that, while there has been some good progress in recent years, we have not achieved as much as we would have liked. The need for developing future black, female and disabled management talent continues to receive significant priority.

Our strategy for transformation is still largely unchanged:

- Black representation in management is a core focus for all management appointments. All senior appointments in the group – the designated top 100 or so people – are monitored at the executive committee and board level to ensure that every endeavour is made to find qualified black candidates to fill vacant positions, while ensuring that the high standards to which we aspire are maintained.
- BEE has been incorporated into succession planning. The retirement process offers an opportunity to identify the date when positions will become vacant and allows time to develop black candidates at middle-management level and below, for these senior management posts.
- Hudaco also concentrates on a better gender balance across its workforce. Recruitment and development processes throughout the organisation focus on female as well as black recruits to ensure a balanced pipeline of talent.

Growing our own talent – succession planning

A formal performance management and succession policy is in place.

Our executive development programme where we employ young black MBAs and give them a broad range of experience across the group over a period of three years, with a view to ultimately integrate them into the management teams of specific businesses as opportunities arise has continued only for those already on the programme. No new recruits started the programme in 2023. In future, we will assign new recruits to specific businesses, with a view to longer-term roles rather than a range of shorter-term opportunities. We feel that this will achieve a deeper level of commitment on the part of both the business and the individual to the individual's future and progression path. We continued to focus on communicating our succession plans with senior management during the year and ensuring that our training and development efforts and employment equity plans are aligned.

Organised labour and employee rights

There are seven trade unions that between them have 445 (2022: 487) employees of various Hudaco businesses as members. These employees are covered by collective bargaining agreements.

In addition to union representation, employee rights are protected through full compliance of all the businesses with relevant labour and employment-related legislation.

Copies of the Basic Conditions of Employment Act, Skills Development Act and the Employment Equity Act are displayed in all workplaces. Formal grievance procedures are in place through which employees can raise issues. There were no grievances relating to human rights during the year.

While certain countries from which Hudaco sources products have been identified as posing a potential risk to human rights, none of our businesses has specifically been identified as posing a risk for incidents of forced or compulsory labour, child labour or for undermining the right to exercise freedom of association.

All businesses are required to communicate to their suppliers a Business Partner Code of Conduct, approved by the group's social and ethics committee.

Remuneration

An important aspect of our management philosophy is to establish in our remuneration structures a clear link between performance of the group (delivering value to shareholders) and the performance of the underlying businesses (delivering value to customers). To achieve this, executive remuneration at the group level, as well as senior management within each business, is structured on three levels:

- **Guaranteed pay and benefits:** This level of remuneration applies to all employees within the group. In addition, employees are required to join a group negotiated medical aid scheme (unless they are below a certain earnings threshold or on a spouse's medical aid scheme) and a pension or provident fund if they are not on an industry fund. Employees earning below the compulsory threshold have the option to join Flexicare, the group's negotiated primary care offering.
- **Formula-based short-term incentives:** This level of remuneration applies to the top 100 or so senior managers in the group. For those employed in business units, this comprises two roughly equal annually measured performance criteria: RONTA, and growth in profits in the businesses under their control. The group chief executive and financial director are remunerated on primarily return on equity and growth in comparable headline earnings per share. A portion of their short-term incentive is based on the achievement of non-financial key objectives.
- **Long-term share-based arrangements:**
 - Share appreciation rights scheme: This level of remuneration applies only to the top about 230 managers in the group. It comprises a reward for share price appreciation realised through share appreciation rights that vest between three and five years after award. It is designed to ensure that management takes a medium to long-term view when acting on matters which may affect business performance and share price.

- Retention-based share matching scheme: To align better the interests of the executives with those of shareholders and to ensure that the executives have capital at risk in Hudaco, a share matching arrangement is in place for executives and certain senior managers. Participants are entitled to invest in Hudaco shares up to a maximum of 50% of their maximum potential short-term incentive-based remuneration. These shares are to be acquired by the executives on the open market using their own money. Provided the participant holds these shares and remains in the employ of Hudaco for the specified service period, which is normally three years, the company will match the value of the shares by acquiring shares on the open market for the benefit of the executive at a ratio determined by the remuneration committee. Currently, 15 executives are eligible to participate in this scheme.

Further information on remuneration is set out in the remuneration report commencing on page 66.

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Retirement funds

Employees who do not belong to an industry fund (ie unionised staff) contribute to the umbrella defined contribution pension and provident Superfunds administered by Old Mutual. Fund members receive risk benefits such as life cover, spouses and children pensions, funeral cover and disability cover, depending on the fund to which they belong. There are some businesses acquired by the group whose employees remain on their pre-acquisition retirement funds.

Employees have a choice of underlying investment options. The range of options includes a passive investment option and the default option is a lifestyle-based solution with a portfolio that has a higher weighting to equity-based investments but with a staggered switch to a more conservative portfolio, starting five years before retirement age. All members receive annual benefit statements and have access to an online portal at any time so that they can track their retirement savings, risk contributions and costs.

Hudaco is advised by employee benefit consultants, independent actuaries and risk benefit consultants to ensure retirement funding arrangements remain appropriate and up to date. Interaction with these advisers is through a committee with representatives from Hudaco head offices and some of the underlying businesses.

Socio-economic development

Each year the board sets aside a specific amount for socio-economic development. Through financial and non-financial contributions, Hudaco supports several specific projects aimed at improving the lives of previously disadvantaged communities.

These funds are, in the main, managed and distributed by Hudaco's head office on behalf of business units. In 2023, Hudaco donated approximately R3 million to a variety of socio-economic development initiatives. This included sponsoring the "Second Chance" programme run by ORT South Africa, through which matric students who had failed only the STEM subjects of mathematics and physical science are given a second chance to study those subjects under rigorous instruction.

In 2023, Hudaco marked Nelson Mandela Day in partnership with The Angel Network. Over and above a financial contribution to the building of homes for people living in informal settlements, employees had the opportunity to participate in the preparation of food parcels and packs of essential household contents to equip the newly built homes.

Steps to safeguard the safety and health of our people

Employee safety

45

Steps to safeguard our employees are comprehensively set out in the ESG report on pages 45 to 53.

Employee health and wellness

We understand that a person's health and wellbeing include physical, emotional, social and psychological factors and all have a strong impact on how people engage with and contribute positively to the performance of the business, their families, communities, society and the environment.

Management approach and governance

Our approach to health and wellness management is built on two key pillars:

- reducing occupational exposure, which involves identifying, measuring and reducing harmful exposure, conducting surveys and providing risk-based guidelines in dealing with chronic illnesses; and
- improving employee wellness, which is achieved by assisting employees dealing with issues impacting their wellbeing and productivity in the workplace, including the provision of support in coping with TB and HIV/AIDS.

Improving occupational health and hygiene is critical in meeting our safety objectives, so we apply the same rigour to reducing and eliminating occupational health hazards as we do to eliminating workplace safety hazards and risks and providing employees with appropriate personal protective equipment wherever there is a risk of exposure levels exceeding safe limits.

Medical aid

Hudaco acknowledges the importance of belonging to a stable and sustainable medical aid scheme, which contributes towards a productive and healthy workforce. The overriding principle is that Hudaco wishes to facilitate that all employees have the opportunity to take up medical scheme cover, while recognising that some employees earn at a level such that private medical cover is prohibitively expensive and that they must, therefore, rely on the state to provide them with healthcare.

Membership of the company's preferred medical scheme (currently Discovery Health) is compulsory for all employees who earn above the compulsory threshold, unless proof is supplied of membership of another medical scheme as a dependant or, under certain circumstances, if employed in a business before it was acquired by Hudaco. The compulsory threshold is currently R20 000 per month, recognising the significant other living costs with which our people have to contend. Members may select any medical aid plan offered by the preferred medical scheme. Employees earning below the compulsory threshold have three options: to join a Discovery medical aid plan; to join Discovery's primary care offering (which is through Auto & General's Flexicare medical insurance product); or to rely solely on state health facilities.

All employees who belong to the company's preferred medical scheme must also belong to the company's preferred gap insurance product (currently Cinagi). This insurance covers members who experience shortfalls on their hospital and oncology claims because of co-payments or tariff differences charged by medical professionals.

The company provides a subsidy by paying, for the employee and qualifying dependants (one spouse and up to three child dependants up to age 21), 50% of the premium for the gap insurance and the medical aid plan selected by the member or Flexicare, limited to the level of the Classic Priority plan. The company does not subsidise fees for Discovery Vitality, membership of which is optional. Where a member selects a plan higher than Classic Priority, the company will contribute 50% of the premium for Classic Priority and the member will be responsible for the balance of the premium, including any fees for Discovery Vitality. Members whose remuneration is based on total cost-to-company (senior management) do not benefit from this subsidy.

There were, on average, 1 143 employees and 1 433 dependants on the medical scheme during the year to November 2023. 70 employees are currently on Flexicare while 300 employees have chosen to be members of Vitality. Annual contributions (excluding Vitality contributions) totalled R83 million, of which R36 million was covered by the Hudaco subsidy, which was limited to 50% of Classic Priority. Top senior executives are remunerated on total cost-to-company and were not included in the subsidy amount. Gap insurance cost a further R2 million, half of which was covered by Hudaco.

Gap payments to assist members with medical shortfalls exceeded R1 380 000. The highest in-hospital medical claim for a single employee was R616 000 whilst the highest out-of-hospital claim was R150 000. 42% of Hudaco members are classified by the medical aid as "healthy" whereas 9% are classified as "unhealthy", based on their claims history.

Employee wellness

Under normal circumstances, with the support of Alexander Forbes Health, Hudaco runs about 25 employee wellness events at our locations in Gauteng, Durban and Cape Town. The offering to employees, irrespective of whether they are covered by medical aid or not and at no cost to themselves, typically includes:

- health risk assessment: height, weight, blood pressure, cholesterol, glucose and BMI;
- eye screening by a mobile optometrist;
- HIV voluntary testing and counselling;
- questionnaire on lifestyle habits; and
- immediate feedback of the results including information on risk factors, healthy eating and exercise habits.

Due to Covid-19 and the associated risks, no employee wellness events were held in 2020 or 2021. We resumed the programme towards the end of 2022 with 21 wellness events held by the end of 2023.

At the events that were held in 2023, 1 069 employees were tested and the major risk factors identified continued to be body mass index (BMI) and elevated blood pressure, as well as high cholesterol.

The wellness days also provide the opportunity for employees who are not on medical aid, and who would otherwise not take the time to be tested for these potentially life-threatening conditions, to have their assessments done on-site and free of charge. The relevant employees are given the appropriate advice to address their conditions. Approximately 500 employees not on medical aid availed themselves of this opportunity in 2023. Some Hudaco businesses provide additional support.

Filter and Hose Solutions sponsors two doctor visits per annum (which includes medication) for their employees or their family members who are not on medical aid. Every second week DDP runs a mobile clinic, staffed by a qualified nurse, offering medical advice to employees not covered by medical aid.

Development of skills inside and outside the group

Talent management

Learning and development of people is a core responsibility of the executive teams in all our businesses as this empowers employees to perform their functions effectively and to enhance their skills, thereby providing a pipeline for promotions and transfers between businesses. During 2023, 17 of our employees and 42 dependants furthered their studies with the assistance of the Hudaco B-BBEE bursary programme, striving to attain qualifications for their own betterment as well as that of Hudaco and the country at large. The bursary programme has been part of the group's value proposition to employees since 2009.

As far as possible, we try to maximise retention of key talent by providing incentives in the form of performance bonuses and developing long-term career path opportunities for our staff within the broader group. We communicate to our staff the opportunities for lateral movement between our businesses and internal promotions within the group. We feel that the group is diverse enough to be able to accommodate individual career aspirations without having to lose talent to competitors. However, one of the consequences of investing in skills development in South Africa, especially in black professionals, is that as these employees develop and gain experience and skills, they become a prime target for headhunting by larger organisations that can offer more attractive packages. The alternative, ie not investing in staff development, would, however, be a far more serious threat to the continuity and sustainability of our business model.

Skills development and training

Successfully taking advantage of opportunities for growth, both acquisitive and organic, depends on the quality of our people. Given the shortage of technical and engineering skills in general in South Africa and particularly among the black population, we put special focus and resources on building these skills. We have identified the building of the following skill sets within Hudaco as being our key focus areas:

- **The senior management team:** We have identified members of the senior management team whom we believe have the qualities required for growth to executive level in due course. These people have been given expanded responsibilities and are being nurtured with a view to their being able to step into the breach as more senior managers reach retirement age. We are delighted that two of the people appointed to managing director positions this year are black executives who came through these ranks. Many members of the senior management team have attended Master of Business Administration (MBA) and other master's degree courses at various universities.
- **Technical expertise:** Critical relationships in the field are with the technical and maintenance teams of our customers. They place the orders upon which we depend for our turnover. We need a constant supply of new sales staff with the right technical skills to be able to adapt to and service our customers' changing needs. Although we are essentially a group of distribution businesses, we run in-house learnerships where we can and technical traineeships where we cannot.

Customer interaction occurs primarily through our technical sales team. As they are the face of the business and the drivers of organic growth in revenue, we invest heavily in their training. New appointees are sent for training prior to being placed in the field. The board also supports training and skills development initiatives through bursary programmes, management training schemes (as described above), experiential trainee programmes, mentorships, apprenticeships, educational assistance and learnerships. Extensive in-house and external training is given in a wide range of practical and theoretical subjects to better equip employees with the skills required for senior positions. The learnership programme content typically includes financial administration, human resources administration, inventory management, end-user computing and warehousing courses, as well as technical product training.

Five of our businesses (Deutz Dieselpower, Gear Pump Manufacturing, Joseph Grieveson, Varispeed and Powermite) run SETA-accredited apprenticeship programmes with 18 participants in 2023 being trained in various trades. An additional 224 abled learners and 21 learners with disabilities were recruited for learnership programmes run by the Maharishi Institute, ORT SA, and Afrika Tikkun, they commenced their courses in 2023, for completion in 2024.

During the year under review, group expenditure on training amounted to approximately R20 million.

Hudaco also provides financial support to the Thuthuka Bursary Fund, which develops and trains black chartered accountants. In 2023 Hudaco sponsored the "Second Chance" programme run by ORT South Africa. 55 matric students in Katshehong on the East Rand, who had failed only the STEM subjects of mathematics and physical science, were given a second chance to study those subjects under rigorous instruction. 45 of these students ultimately wrote the matric exams, achieving pass rates of 80% for physical science and 78% for mathematics.

We also invest in developing product knowledge in our customers or the installers of the products that we distribute, which results in deep brand loyalty. As a policy, we do not charge or charge just a nominal fee for this training of the installers or our agents – we believe that, as we are in the business of distributing high-quality brands, the more the customers understand the value of the product, the more loyal they will be.

Hudaco conducts a graduate development programme with the aim of addressing skills shortages in our businesses. All of the participants are black and every effort is made to absorb the graduates into our employ as they qualify. The graduate development programme includes a range of disciplines such as engineering, finance, accounting, human resources, health and safety, sales and marketing and information technology. Participants complete a course in business administration with Siyanqoba Seminars to prepare them for the work environment and received on-the-job training at our businesses. In the past two years, 28 graduate interns completed the programme and 25 of them have been absorbed into permanent employment. A new cohort of 10 graduates began in June 2023.

Employment equity and skills development committees exist at the group's various businesses to drive the various skills development initiatives.

Staff education programme

Hudaco Trading empowers current black employees, their spouses and their children by granting tertiary education bursaries to eligible applicants. Beneficiaries may study towards any career of their choice and, on completion of their studies, are under no obligation to work for Hudaco.

In 2023, 59 students were granted bursaries, of whom 37 were women. Of these, seven completed their qualifications. Feedback from some of the parents and the successful students is set out on pages 63 to 65. For the 2023 academic year, 80 students have been identified for bursaries, of whom 45 are women. Hudaco spent R3.4 million on these bursaries in 2023.

Enterprise development

Hudaco favours suppliers that have good BEE scorecard ratings and uses SMMEs (small, medium and micro-enterprises) wherever possible, working closely with them to improve their service delivery.

Hudaco applied R15 million to various enterprise and supplier development initiatives during its 2023 financial year. Some of these included the following:

- Offering interest-free loans to qualifying black-owned businesses;
- Deutz Dieselpower continued its system of early payments to level 4 B-BBEE contributors and supported the services of a black woman optometrist;
- Ambro Steel provides facilities for a black woman optometrist on their premises. Hudaco has assisted her with the purchase of sophisticated equipment that is geared towards providing eye care to the poor by keeping costs low. The equipment has made a significant impact;
- Abes Technoseal subsidised canteen facilities, owned by a black woman, at their premises; and supported an SMME with rent-free premises, telephone line, internet usage and utilities. They also process early payments to a level 2 B-BBEE contributor;
- FHS and Dosco support a recycling initiative with black-owned SMMEs;
- Rutherford supports and subsidises a black-woman-owned canteen;
- Deltec supported a level 1 sustainable energy business;
- Three-D Agencies, Bearings International and Hudaco head office supported a business in Thembisa; and
- Hudaco head office continued supporting a car wash and Invincible Outsourcing and Invincible Nature, not-for-profit organisations that apply income earned to fund bursaries at the Maharishi Institute.



LAVERN JACOBS

MY JOURNEY AT PARTQUIP

From switchboard to managing director and Hudaco Exco member

My life changing journey at Partquip started at the beginning of April 1994. I had recently completed a Bachelor of Social Sciences degree majoring in Industrial and Organisational Psychology, in the hope of starting a career in human resources.

After months of scouring the Job Finder, contacting many companies, attending a multitude of interviews and undergoing various types of psychometric and aptitude testing, my career was just not taking off. Prospective employers cited my lack of experience as the main reason for my unsuccessful job applications.

The urgency to find work was exacerbated by the pressure to repay loans accumulated over four years of studies; a hefty sum. My sister-in-law was employed at Autoquip Group, of which Partquip was one of the divisions. They were in search of a relief switchboard operator required for a period of three days.

Luck was on my side from my first day at Partquip. The switchboard operator never returned and two months later I was offered a permanent position. I loved my job, however after a year I wanted to do more. I enquired about sales positions; none were available at the time. I decided to prepare for the day that this might happen and started studying product catalogues whilst trying to build relationships with the customers whose calls I was transferring to the sales team.

My break arrived in September 1997; I was promoted to a telesales consultant position for the Partquip division. I do not consider myself much of a salesperson, but I loved my job, the challenge and pressure of meeting targets, competing with the rest of the sales team and, of course, earning commission.

After a few months in sales, I decided to embark on an honours degree in Industrial Psychology, which I did via distance learning. Sadly, and with huge regret, life stepped in and I abandoned my studies with only two modules outstanding. During early 1999 I started thinking about work life outside of Partquip and possibly pursuing a different path. There were many changes within Partquip at the time and during March 1999, two weeks after handing in my resignation, I was offered a position as branch manager of Partquip Cape Town.

This was an offer I could not refuse based on the great challenge and various responsibilities that the role would provide. I was petrified and I had no clue of what I was doing. However, with the help of an incredible team we managed to turn the branch around and great success followed.

I served in this position for 15 years until, in July 2014, I was offered another life altering opportunity and accepted a position as assistant general manager of Partquip, a division of Partquip Group which was based in Johannesburg. I experienced even greater fear and apprehension stepping into this role but embraced every moment and learnt exponentially from this experience.

A few months later, during November 2014, Partquip Group was acquired by Hudaco Trading, which led to changes within the management structure. I was appointed as divisional director of Partquip, the automotive components division of the group. The acquisition gave rise to many new possibilities and opportunities for growth and development for all employees.

In 2016 I embarked on a Master of Business Administration degree programme to gain more knowledge and perspective of how to add value to my role and to the division and people that I was responsible for. My three-year MBA journey was one of the most challenging yet most rewarding experiences of my life thus far.

The ultimate life and career opportunity to date presented itself in July 2023 when I was offered the role of managing director of Partquip Group. Humbled, terrified and excited; I gratefully accepted this extraordinary opportunity. I have also been appointed as a member of the Hudaco executive committee; a role giving me access to people with a vast pool of knowledge, experience and skills. Together with an unbelievably committed, passionate and talented team of colleagues, I now conscientiously endeavour to grow the group to new levels of success.

This profound journey would not have transpired or evolved without the many opportunities that I have been afforded and without the encouragement, mentorship and support received from so many inspiring people in both my personal and work life. I am eternally grateful and now consider it a privilege and an obligation to support others during their journeys.



Hudaco and the Maharishi Invincibility Institute

Hudaco

*– transforming lives
since 2017*

Over 900 youth in Gauteng, KwaZulu-Natal and Mpumalanga have been supported by Hudaco to access skills to qualifications at the multi award-winning Maharishi Invincibility Institute resulting in a pathway to either further education, entrepreneurship or employment.

*Working together to create
employment opportunities for
the youth of South Africa*

Providing a bridge from unemployment to employment and enabling access to resources along the way that they would not have been able to access on their own.

Creating an opportunity for students to carve their own futures.

Helping MII Achieve the vision of **educating 100 000 leaders** for the future of South Africa.

“Being part of the Hudaco sponsorship in End Use Computer IT at MII has been an important part of my career. Having achieved this qualification in great success, it has laid a foundation, building a professional network and embracing a strong work ethic.”

Lebohang Mathunya



MAHARISHI
INVINCIBILITY INSTITUTE
—
WORLD LEADING EDUCATION FOR ALL

Bursary programme

Feedback on bursary programme



Munira Schaanick

Spouse of Franklin Schaanick, employee at Elvey

Bachelor of Commerce Degree

I feel honoured and grateful to have been selected as the recipient of the Hudaco bursary over these three years to study for a Bachelor of Commerce Degree in Accounting at Mancosa. Thank you for your generosity, which has allowed me to develop and refine skills such as leadership and strategic thinking in the working world of business and finance. Receiving this thoughtful gift motivates me to one day grant the same gift to others as you have done for me and my family.

Thank you again for your thoughtful and generous gift and allowing me to pursue my dreams.



Chemiah Naidoo

Daughter of Caroline Naidoo, employee at Partquip

Bachelor of Arts Degree (in motion picture or live performance)

I am extremely grateful to have been acknowledged for my degree pursuit. Hudaco saw my potential and trusted my abilities and skills. Thanks to this opportunity, I attended the performing arts university of AFDA for three years, where I furthered my craft and filtered the much-needed skills needed to drive my ambitions toward my career. As a result of this opportunity, I was able to study freely in what I love without the stress of financial burdens or pressure. With the bursary, I was able to focus on what I truly enjoy and put my mind at ease.

Having completed three years of study, I have Hudaco to thank for believing in me and allowing me to enjoy my university experience. I don't think I can encapsulate how grateful I am for the opportunity and the assistance from Hudaco every step of the way.



Caroline Naidoo

Mother to Chemiah Naidoo

Employee at Partquip

With heartfelt thanks I want to thank Hudaco for the much-needed bursary to propel my daughter Chemiah to reach her dream, and through this she could pursue her talent and draw out her God given ability to study and dream. With the bursary having been paid three years in a row, which is phenomenal, Chemiah has now completed her degree and looks forward to a new chapter in her life to delve into the film industry and maybe go on to do her honours. Many thanks to Hudaco for playing such a vital role in making this possible. May she make you and South Africa proud.



Tshilidzi Qwele

Daughter of Nyameka Qwele, employee at Partquip

Diploma in Event management

I wish to convey my heartfelt appreciation for the financial aid you have provided me in pursuing a Diploma in Event Management at Boston City Campus. Being a recipient of the Hudaco Bursary fund alleviated the financial burden that came with completing my studies. Your generosity motivated me to focus more on my studies and academic endeavours. Moving forward I will be committed to utilising the knowledge and skills acquired to tackle this fast-paced world we live in and to also make a positive change within my community. Once again, thank you for providing me with this invaluable opportunity and I will always understand that any of my future success was based on your financial aid.



Nyameka Tshilidzi

Tshilidzi Qwele's mother

Employee at Partquip

As a mother I would like to express my deepest gratitude for the support you've extended to Tshilidzi which is both an honour and a privilege. Your commitment to fostering education has not only lightened our financial burden but has also opened doors of opportunity for my daughter's future. The bursary didn't only serve as a financial aid, but also as a beacon of hope, inspiring her to strive for excellence. Thank you from the depths of my heart for making a difference in our lives and for playing a crucial role in Tshilidzi's academic journey.



Alyssa Sheik

Employee at Specialised Battery Systems

BA Communications

I wish to express my sincere gratitude for the bursary I have received. The generous support of Hudaco has made a significant impact on my educational journey, and I am truly thankful for the opportunities it opens for me.

As I reflect on the completion of my qualification, I am filled with appreciation for the pivotal role Hudaco has played in making my educational pursuits possible. Your commitment to fostering education and investing in the development of individuals has made a lasting impact on my life.

Once again, thank you for your generosity, encouragement, and investment in my education. I am proud to have been associated with Hudaco, and I look forward to making you proud as I embark on the next chapter of my journey.



Darren Brooks

Employee at Ernest Lowe

Bachelor of Commerce in Supply Chain Management

Please accept my heartfelt gratitude for the generous bursary support that Hudaco provided me throughout my studies at Mancosa.

I am particularly grateful for the opportunity you gave me to achieve this qualification. This experience provided me with invaluable skills and knowledge that have prepared me for my professional career.

I am eager to stay connected with Hudaco and explore potential opportunities to contribute to your organisation in the future. Whether it's through internship programs or simply sharing my experiences, I would be honoured to give back to the community that has given me so much. Your belief in me has made a world of difference, and I am forever grateful.



Kgomotso Dikeledi Mnisi

Employee at Miro

Higher Certificate in Supply Chain Management

I am writing to express my deepest gratitude for the incredible opportunity afforded to me through the Hudaco bursary. Receiving the bursary has not only lightened the financial burden of pursuing higher education but it has also been a source of inspiration and motivation.

I am particularly grateful for the doors that this bursary has opened, enabling me to access quality education and equipping me with the skills and knowledge necessary for personal and professional growth. Your commitment to investing in the education of individuals like me is truly commendable, and I assure you that I am dedicated to making the most of this support.



Ntombifuthi Mxonywa

Employee at Miro

Higher Certificate Supply Chain Management

I would like to express my sincerest gratitude; it was an honour to be chosen for this opportunity. Receiving this bursary has truly allowed me to fulfil my dream of having a supply chain qualification as I have completed my certificate not having to stress about funding my studies.

Thank you so much for this life-changing opportunity.

Feedback from BEE trust beneficiaries



Demi Elliot – Ambro Steel

I just would like to say thank you to Hudaco, I definitely appreciated the extra money, as I managed to pay off school fees and get extra groceries.

Mbali Motaung – Ambro Steel

I would like to extend my gratitude to Hudaco for this BEE Trust. It really was such a great help that I was not expecting. It was a nice surprise. Thank you very much.

Goodman Dumsani Zulu – Deltec

It came at the right time and I wish they could increase the amount to motivate us even more.

Portia Mkansi – Deltec

I love the benefit, and I understand that we won't receive it every year but if possible, we should receive it yearly.

Tiyiselani Laybrand Makhubele – Deltec

It's a good benefit and I'm happy about it.

Esra Hopetown – Ernest Louw

I would like to express my gratitude to the BEE Trust for the payment received last month it was unexpected and came in handy.

Caleb Annamuthu – Joseph Grieveson

It was a huge help to me financially as I had just had my daughter two weeks prior. Thank you so much.

Lorna Watson – Rutherford

I am very grateful as every little bit helps. I could service my car last month. It came in very handy.

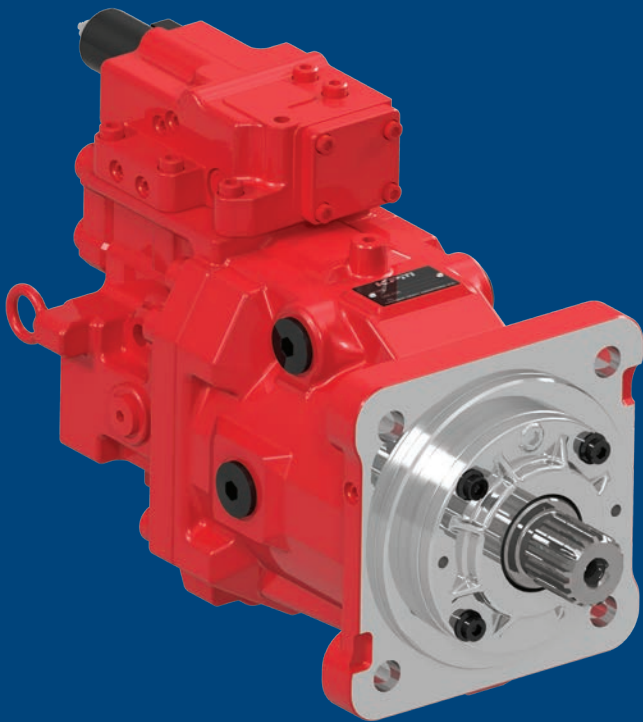
Vutisani Olast Mabaso – The Dished End Company

Very happy, would love more.

Norman Velayuthan – Rutherford

With utmost sincerity and appreciation, I would like to thank Hudaco for going the extra mile, especially when our country is facing so many challenges. Our economy is not doing well, and for Hudaco to compensate the underprivileged staff is great under the BEE trusts. I welcome the idea and fully support Hudaco for the welfare of their staff.





Remuneration report

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The terms of reference of the remuneration committee align its activities with the principles contained in King IV. The structure of Hudaco's remuneration report and the level of detail provided regarding the remuneration of executive directors are also in compliance with King IV.

In contemplating remuneration and incentives, the remuneration committee considers different categories of personnel and the following terminology has been used throughout this remuneration report to describe these categories:

- The three executive directors;
- The nine executive committee members, which includes the three executive directors;
- The senior leadership cohort, which includes the nine executive committee members and comprises the top about 15 executives, who generally have responsibility for the largest businesses or multiple businesses;
- Business level executives, comprising the approximately 75 divisional directors of Hudaco's individual businesses, excluding the senior leadership cohort;
- Senior managers, comprising approximately 230 people across the group, being the business level executives and the next level of management;
- The general body of staff, comprising all personnel except the senior leadership cohort and the business level executives.

Section 1: Background statement

Remuneration in context of the group and the workforce

Over many years, the group has refined its remuneration policy and practices in support of its aim to be a thriving, growing organisation which is highly dependent for its success on the quality and motivation of its people, and it continues to do so when appropriate. The group believes that its remuneration practices are in line with the King IV remuneration governance principles, and that these principles underpin the achievement of its business objectives, its ethical culture and the fair reward of its employees.

Employee compensation is the single largest component of the group's operating expenses. During the 2023 financial year, employees received approximately 57% of the total wealth created by the group. (See the value-added statement on page 29 of this integrated report.) The table below provides further context to the significance to Hudaco of employee remuneration:

	2023	2022
Total number of employees	3 864	3 762
Total compensation to employees (Rm)	1 481	1 424
Total compensation as a % of revenue	17	17

For the general body of staff, the group's remuneration policies aim to attract and retain high-calibre people and reward them fairly for their skills and performance and to provide a happy and challenging work environment. All Hudaco's employees have the opportunity to receive short-term bonus awards.

At the senior leadership cohort and business executive levels the remuneration policy is designed to more sharply:

- reflect group and relevant business unit performance; and
- incentivise these employees to act in the best long-term interests of shareholders via performance measures that stress earnings growth, cash generation and the returns earned by the businesses for which they are responsible. These measures are described in more detail further on in this report and include malus and clawback provisions.

The compensation of most of the group's unionised employees (455 people) is determined collectively or based on sector norms. Hudaco endeavours to maintain positive day-to-day working relationships with unionised employees and to balance their right to industrial action with the right of the group to conduct its activities.

Internal and external factors that influence remuneration

In discharging its duties the committee considers various factors, including general economic and business conditions, past and expected performance of the group and the business unit concerned, the inflation outlook, the employment market conditions and trends and, importantly, the pay gap that exists in the group and the business sector generally.



Where considered necessary, the committee seeks the advice of experts regarding these factors, particularly concerning conditions of employment, fair pay and trends.

For many years now, the group's response to the pay gap issue has been to grant higher average salary increases to lower-paid employees than to their more senior colleagues who participate in the executive pay schemes. The remuneration committee monitors progress in managing the pay gap in the group.

During 2023, the committee obtained assurance on outliers on both sides of the salary increase scale with a view to ensuring that no prejudice or favouritism took place in the process. The committee also received confirmation that there are no instances of non-compliance with minimum wage requirements.

Most recent results of voting

At the annual general meeting held on 30 March 2023, Hudaco presented both the remuneration policy and the implementation report as two separate non-binding votes to shareholders for approval. The group's remuneration policy received the support of 79.77% of shareholders who voted and the implementation report received 79.75% approval.

Key areas of focus and key decisions

During the year the committee focused on:

- providing general salary increase guidelines;
- conducting performance appraisals for the executive directors and the other executive committee members;
- reviewing the guaranteed remuneration packages of the senior leadership cohort;
- considering the overall performance of the group, including intrinsic value added, in order to confirm the reasonableness of the short-term bonuses for the senior leadership cohort;
- approval of incentive bonus payments to the senior leadership cohort for the previous year's performance, including any amounts subject to clawback on under-performance;

- approval of the short-term and long-term performance criteria for the year ahead for the senior leadership cohort;
- confirmation of share matching opportunities in terms of the share matching scheme;
- allocation of share appreciation rights;
- reviewing service agreements of the senior leadership cohort with special reference to restraint of trade clauses, severance packages (if any) and notice periods;
- proposing non-executive directors' fees;
- reviewing the accuracy of the inputs to the intrinsic value model since, as reported last year, intrinsic value added now forms part of the short-term incentive for executive directors; and
- reviewing the remuneration report for publication in the 2023 integrated report in the context of the King IV principles on remuneration and the JSE Listings Requirements.

In making decisions, the general principles followed by the committee include:

- the use of discretion by the committee to override policy or performance measure outcomes should be avoided, unless in exceptional circumstances and appropriately disclosed;
- there should be no change to pre-set performance measures once the outcome is already evident;
- that remuneration generally should support the sustainability of the business, be fair and reasonable, externally competitive and internally equitable and that variable remuneration should be contingent on, and correlate with, performance and value creation that, by and large, is within the control of executives.

The principles applied were largely gleaned from the Guide to the Application of the King IV Principle 14: Governance of Remuneration, issued by the South African Reward Association and the Institute of Directors Southern Africa.

Other factors which inform the general thinking of the committee, particularly as regards the senior leadership cohort, are:

- the leadership team – The board and the committee are very much of the view that Hudaco has a highly competent and effective leadership team and that this was once again clearly demonstrated in the commendable results produced in the 2023 financial year in the face of severe economic and logistical challenges.
- the entrepreneurial culture of the group – The board and the committee are also of the view that the entrepreneurial spirit that has long infused the culture of the group and been key to its success and an important element in its decentralised business model should be nurtured and encouraged. In this regard, the board and the committee are conscious of the characteristics of the entrepreneurial type of person that the group seeks to attract, retain and motivate: namely that they are highly effective people who “make things happen”; they are mobile – many of them have built and run businesses themselves; are confident in their own abilities; are much sought after as managers; and tend to be highly responsive to financial incentives and having “skin in the game”.

General salary increases

In June 2023 the committee approved average annual salary increases of 6% for those employees who earned above a threshold of R1.27 million per annum, except where benchmarking, performance or promotion indicated a different increase was appropriate, and 7% for those who earned below that threshold. This differential is a further step in addressing the remuneration gap. The Consumer Price Index (CPI) was an important reference point in determining these increases. Khokhela Remuneration Advisors were engaged to benchmark the average salary increase for the general body of staff against the market. The 7% increase approved by the committee was slightly higher than the benchmark indicated by Khokhela.

Short-term incentives

The short-term bonuses for the senior executives are largely formula-driven on criteria set at the beginning of the financial year.

The group performed well again in 2023 under extremely difficult conditions, with earnings and returns exceeding those of 2022 enabling R402 million to be returned to shareholders in the form of dividends and share repurchases.

Although the 2023 performance did not match the stellar value creation in the previous year, it again resulted in meaningful shareholder value creation, comparable earnings per share growth of 10.1% and a return on equity of 19.9% and, in this context, the committee was satisfied that the bonuses approved were well justified. Bonuses paid to the senior leadership cohort for performance in 2023 totalled R34 million, well below the R41 million in 2022. A further R4 million (2022: R7 million) that had been held back in 2022 subject to potential clawback if performance requirements for 2023 had not been met, also became payable.

The model used to determine the intrinsic value incentive, which is regularly monitored by the board, is described in the fifth paragraph of the section headed “short-term performance-based remuneration” on page 72.

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Long-term incentives

Performance-based share appreciation bonus scheme

Approximately 230 people, comprising the senior leadership cohort and the senior managers, participate in the scheme, with performance criteria applying to the senior leadership cohort. The performance criteria applicable to the senior leadership cohort are measured on return on equity and increase in comparable earnings per share over three, four and five years.

Retention-based share matching scheme

The committee views this scheme as an important component of remuneration in the context of Hudaco. It involves the 15 most senior executives (the senior leadership cohort) being encouraged to invest their own money in Hudaco shares on the basis that, after three years, the number of shares purchased, and held unencumbered, by the participant over the period is matched in the matching ratio with shares acquired in the market (so as not to dilute existing shareholders). Although it was put in place primarily as a retention incentive, the committee views the scheme as more than just a retention incentive.

It encourages the leaders of the group to have “skin in the game” via a direct financial commitment of their own money, which aligns their interests directly with those of other shareholders. In terms of the scheme rules, the matching ratio is at the discretion of the committee. The committee is cognisant of the fact that the loss of business heads through emigration and for other opportunities remains a constant threat. This is a trend which the group can ill afford at this juncture, especially amongst the senior leadership cohort, which has proved itself yet again to be highly competent and effective in steering the group through challenging times. Taking all of this into account, the committee felt it appropriate to keep the matching ratio unchanged for the 2024 financial year at 1:1 on an after-tax basis, which equates to approximately 1.8:1 pre-tax.

Remuneration of executive directors and senior leadership

The implementation section of this remuneration report sets out in the required detail the remuneration of the three executive directors, including the chief executive and the chief financial officer, and the executive alternate director. Khokhela Remuneration Advisors were engaged to benchmark the average salary increase for the senior leadership cohort and found that, after the 2023 increase, their packages were appropriately positioned. The committee undertakes such a benchmarking exercise by external consultants every second year.

Future areas of focus

The remuneration committee is committed to continued improvement and forward-looking principles. Specifically:

Hudaco will offer to engage with the shareholders as necessary in the event of any significant dissenting votes on either its remuneration policy or implementation report.

The principle of fair and responsible remuneration, and the remuneration gap in particular, will be considered again during 2024, as is done each year, and disclosure of this aspect will be enhanced.

Remuneration consultants

In order to ensure remuneration is fair and market-related, all elements of remuneration are subject to regular benchmarking exercises. Every two years the committee engages remuneration consultants to benchmark remuneration of the senior leadership cohort against an appropriate peer group and to provide input on recent trends. This was done in June 2023 by Khokhela Remuneration Advisors, whom the committee satisfied itself were independent and objective. The exercise will next be done again in 2025.

Achievement of stated objectives

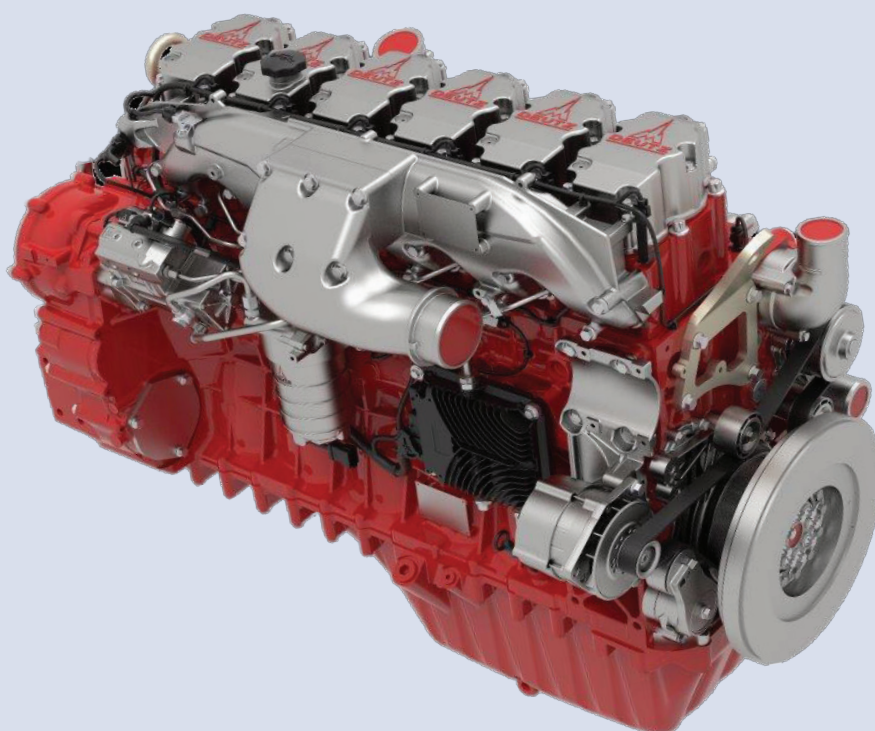
Hudaco is strongly of the view that pay, working conditions and, at senior executive level, well considered performance measures linked to variable pay, are strong drivers of behaviour and performance.

The committee remains confident that Hudaco's remuneration policy is well aligned to its strategy and the interests of its stakeholders and has contributed to Hudaco's growth and resilience in a challenging economic climate over an extended period of time. We are satisfied that the remuneration objectives for the 2023 financial year were achieved and that the responsibilities delegated to the committee via its terms of reference were satisfactorily discharged.



MR Thompson
Chairman of the remuneration committee

23 February 2024



Section 2: The remuneration policy

Hudaco has an integrated approach to remuneration strategy, in which remuneration components are aligned to strategic direction and financial returns. The group's remuneration philosophy is to ensure that employees are rewarded appropriately for their contribution to the execution of the strategy of Hudaco and its performance.

The remuneration policy is designed to attract, engage, retain and motivate the right diverse talent required to deliver sustainable growth and good returns. The policy recognises and rewards individual responsibility, performance and behaviour in the achievement of Hudaco's goals. The policy is applicable to all group employees but participation in short and long-term incentive schemes is dependent on an individual's role and level within the group.

The remuneration policy and the implementation thereof are focused on achieving a fair and sustainable balance between fixed guaranteed remuneration, short-term incentives and long-term incentives, having regard for the person's responsibilities.

Some of the principles adopted by Hudaco to drive fair and responsible remuneration include:

- equal pay for work of equal value, specifically addressing any income disparities based on gender or race;
- all employees of Hudaco having the opportunity to receive short-term bonus awards;
- annual increases on base salary being granted based on market conditions as well as individual and applicable business unit performance;
- up-skilling of low-paid employees;
- consideration being given to minimum wage legislative requirements; and
- all permanent employees having the opportunity to participate in benefits such as retirement funding, risk benefits and medical aid.

Hudaco is mindful of the wage gap within the group, and therefore ensures that the percentage increases in base salary awarded to lower paid employees are generally greater than those awarded to the executive and senior management tiers.

Determination of performance incentives

Hudaco has various formal and informal frameworks for performance management that are directly linked to increases of fixed guaranteed remuneration and annual short-term incentive bonuses. Performance management and assessment sessions take place regularly throughout the group, where business performance, personal achievement of key performance indicators and delivery on key strategic imperatives are discussed.

Overview of remuneration

Hudaco's employees are critical to the achievement of the group's strategic objectives. Many of the business-critical skills that the group requires are in short supply and Hudaco recognises the importance of attracting, developing, retaining and motivating the best people to deliver on the group's business goals.



Employee remuneration, particularly fixed guaranteed remuneration, is a significant component of the group's total operating cost. Remuneration is structured to be competitive and relevant in the sectors in which the group operates. Variable remuneration, which pertains more strongly to more senior tiers, has the advantage of serving as an automatic cost reduction mechanism when returns are under pressure.

General employees' remuneration

The total remuneration mix for the general body of staff consists of guaranteed pay and benefits (fixed guaranteed remuneration) as well as a short-term bonus award.

Fixed guaranteed remuneration is monitored and benchmarked on a regular basis. Remuneration levels take into account industries, sectors and geographies from which skills are acquired or to which skills are likely to be lost, the general market and the market in which each business operates. It is designed to meet each business' industry and operational needs as well as strategic objectives. The structure for unionised employees is driven by collective bargaining and sectoral determinations. General adjustments to guaranteed pay are effective from 1 July each year. In unionised environments, collective bargaining arrangements may come into operation at other agreed times. Annual increase parameters are set using guidance from group budgeting processes, market movements, individual performance, the performance of the business and any other relevant factors. Increases above inflation depend on the factors set out above.

Hudaco pays short-term bonuses aligned to best practice and in some cases this may include a guaranteed bonus equal to one month's salary. However, in most cases bonuses depend on the performance of the individual and of the business in which they are employed.

Employees at the business executive and senior manager levels (approximately 230 people) also qualify for participation in the group's share appreciation scheme.

Other benefits include pension and provident fund membership, medical aid membership and medical expense gap cover, death and disability insurance, funeral cover and in some cases travel allowances or the use of company-owned vehicles. Hudaco considers the provision of these benefits to be socially responsible employment practice.

The remuneration policy is structured around the following key principles

Total rewards	Incentive-based rewards	Incentive plans, performance measures and targets	The design and implementation of long-term incentive schemes
Set at levels that are responsible and competitive within the relevant market.	Capped and earned through the achievement of demanding growth and return targets consistent with shareholder interests over the short, medium and long term. They include an element of potential clawback.	Structured to operate soundly throughout the business cycle.	Prudent and do not expose shareholders to dilution or unreasonable financial risk. While they are defined as equity-settled, it is policy not to issue new shares but to rather acquire shares in the market. Malus provisions apply, whereby awards may be forfeited under certain circumstances.

Executive and senior management remuneration

Members of the senior leadership cohort (the most senior approximately 15 executives) are responsible for leading others and taking significant decisions about the short and long-term operation of the business, its assets, funders and employees. They require specific skills and experience and are held to a higher level of accountability. Hudaco's remuneration policy is formulated to attract and retain high-calibre executives and motivate them to develop and implement the group's strategy to optimise long-term shareholder value. It also seeks to align the entrepreneurial ethos and long-term interests of the senior management with those of the shareholders, while not diluting the equity stake of existing shareholders. The senior management remuneration policy places a significant portion of total remuneration "at risk" whilst not encouraging behaviour contrary to the company's approach to risk management and ethical conduct. The group's general philosophy for executive remuneration is that the performance-based pay of the senior leadership cohort and business level executives should form a significant portion of their expected total compensation. There should also be an appropriate balance between rewarding operational performance (through annual incentive bonuses) and rewarding long-term sustainable performance (through share-based incentives).

The total remuneration mix consists of guaranteed pay and benefits (fixed guaranteed remuneration) and short and long-term incentives. The ratios within the remuneration mix differ depending on seniority levels and responsibilities.

The group's remuneration structure for the senior leadership cohort and business level executives has three elements:

- fixed guaranteed remuneration on a cost-to-company basis;
- short-term performance-related remuneration, based on annual results and the achievement of non-financial objectives; and
- long-term (three to five years) remuneration linked to share price appreciation and therefore long-term value-adding performance.

To ensure remuneration is market-related, all elements of remuneration are subject to regular benchmarking exercises.

The board believes that the group's remuneration policy aligns senior management's interests with those of the stakeholders by promoting and measuring performance that drives long-term sustained shareholder wealth.

Fixed guaranteed remuneration

The remuneration policy starting point is for fixed guaranteed remuneration to be close to the median of comparable positions as a general guideline. The remuneration committee then exercises discretion to place individuals above or below the median.

Generally, similar types of benefits are offered to all permanent employees, but defensible differentiation is applied having regard for the size and complexity of the position, the need to attract and retain certain skills and individual performance.

Past and expected future performance of each individual as well as inflation and benchmarking against salary trends are used as a basis for remuneration reviews. Other benefits funded from the total cost-to-company fixed remuneration package include a provident fund with group life and disability insurance, funeral cover, medical aid membership, medical expense gap cover and travel allowances or, in some cases, the use of a company-owned vehicle. Providing these benefits is considered market competitive.

Short-term performance-based remuneration

The senior leadership cohort and business level executives are eligible to receive performance-related annual bonuses. The bonus is non-contractual and not pensionable. The remuneration committee reviews the individual bonuses of the senior leadership cohort annually and determines the level of each bonus based on performance criteria set at the beginning of the performance period. All the bonuses in the group are subject to approval at least one level above the person's direct manager.

Short-term performance-related remuneration for executive directors is based primarily on a pre-determined return on equity range, which is capped, the achievement of comparable earnings per share growth and intrinsic value-added. For 2024, no ROE bonus will be paid if ROE is below 14% and the primary target is 17%. As a stretch target, a cap will be reached at ROE of 23%. While the payment for comparable earnings per share growth is not capped, it is subject to partial clawback and increases more steeply once this growth exceeds 15%. Intrinsic value of R20 per share must be added to achieve the maximum capped bonus for that component. For Ernie Smith, the short-term incentive has a component aligned with the incentives of the other executive directors and a component on the same basis as for other members of the senior leadership cohort.

A portion of the executive directors' possible performance-related earnings is subject to the achievement of non-financial objectives, determined from time to time but at longest annually, up to a maximum of 25% of fixed guaranteed remuneration.

For the other members of the senior leadership cohort, including the executive alternate director, performance-based remuneration is linked to a combination of the achievement of appropriate returns on net tangible operating assets (capped) and annual growth in operating profit (uncapped) in the businesses under their direction. A portion of potential performance-related earnings for the senior leadership

cohort, other than executive directors, is subject to the achievement of non-financial objectives, determined from time to time but at longest annually, up to a maximum of 14% of fixed guaranteed remuneration.

An incentive directly linked to increasing the intrinsic value of Hudaco shares, and limited to 15% of their fixed guaranteed remuneration, is offered to the executive directors. The concept behind the incentive is that, using a standard point-in-time valuation methodology, as used by professional investment advisers, the value of the shares as at the beginning of the year is determined and, using the same methodology and capitalisation multiple, the value of the shares, including cash returned to shareholders during the year, is determined as at the end of the year.

The executive directors will be entitled to receive the full 15% of their guaranteed remuneration if the intrinsic value of the shares so calculated increases by the target per share or more, with a pro-rata entitlement to bonus for lesser (but positive) increases after accounting for the cost of the incentive. For the 2023 financial year the target intrinsic value increase per share was again set at R20, which represents an attractive return for shareholders. A clawback would apply if the value were to decline in the following year to below the required level for the bonus. The committee had the discretion to make any adjustments to the 2023 valuation that it deemed necessary to ensure a fair comparison, but none was warranted. This incentive was incorporated into the incentive formula from 2023 and the comparable earnings per share growth element of the formula was reduced to accommodate this inclusion.

Where considered appropriate (which is rare), the remuneration committee may authorise discretionary bonuses based on an assessment of personal performance. As a retention and “skin in the game” strategic alignment strategy, the senior leadership cohort are encouraged to invest a portion of their maximum potential bonuses in Hudaco shares. Refer to the section headed “Retention-based share matching rights”.

Long-term remuneration

Long-term performance-related remuneration is linked to the appreciation of the Hudaco share price. There are two long-term schemes: share appreciation bonus rights as a long-term performance incentive and a share matching scheme for retention and executive “skin in the game”. These schemes are described in more detail below.

If a participant's employment terminates due to resignation or dismissal before the vesting date, all unvested share appreciation rights and share matching rights are forfeited.

Performance-based share appreciation rights

Share appreciation rights are awarded to the senior leadership cohort and senior managers (approximately 245 people).

Share appreciation bonus rights are awarded every year. Participants in the scheme are paid a bonus, settled in Hudaco shares (which Hudaco acquires on the open market for that purpose) and equal to the appreciation in the market value (calculated on a 10-day VWAP) of a pre-determined number of Hudaco shares following each of the third, fourth and fifth years after the award. Participants may elect to defer

the right to the bonus for up to four years after vesting. The number of rights awarded to the executive committee members is based on the participant's level of seniority and fixed guaranteed remuneration.

The performance requirement for grants to vest, which applies only to the senior leadership cohort (approximately 15 people), is set by the remuneration committee and comprises two elements:

- Portion is dependent on the achievement of a pre-determined average return on equity from the date of award to the vesting date (between 14% and 16% for the 2023 award); and
- Portion is dependent on the achievement of a cumulative increase in comparable earnings per share of CPI between the date of the award and the vesting date, except for the first two years of the 2023 grant where the requirement is to at least match the strong earnings per share of 2022. For grants that were awarded in better economic conditions the requirement is higher at CPI plus 3% or CPI plus 5%.

The remuneration committee determines an appropriate performance level and split between the two elements for each award based on conditions prevailing at the time it was made and the requirement is not changed thereafter.

In several instances, the senior leadership cohort have not derived any financial benefits from share appreciation awards as a result of performance factors not being met or the market price being below award price, or both.

Because performance requirements of this share appreciation rights scheme do not apply to senior managers, this scheme serves as a retention scheme for that level of participant.

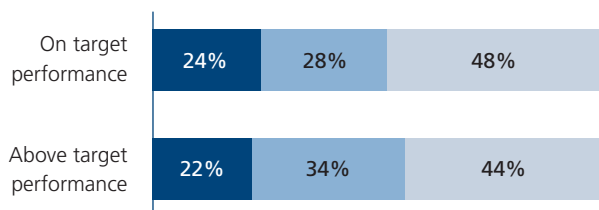
Retention-based share matching rights

In order to serve as a retention strategy, to better align the interests of the senior leadership cohort with those of shareholders and to ensure that these executives have capital at risk in Hudaco, a share matching arrangement exists for them (the 15 most senior people in the group). Participants are encouraged to invest in Hudaco shares up to a maximum of 50% of their maximum potential pre-tax short-term incentive-based remuneration. These shares are to be acquired by the participants on the open market. Provided the participant holds these shares and remains in the employ of Hudaco for the matching period (normally three years), the company will match the number of shares at the matching ratio by acquiring shares on the open market for the benefit of the participant, at the end of the matching period. The remuneration committee determines the matching ratio at the time the invitation to invest is extended to the executives. The committee wishes to encourage the senior leadership cohort to invest more of their own personal wealth in the company, thereby increasing their “skin in the game”, further aligning their interests with those of the shareholders and binding them more tightly to the company. In the circumstances, for 2024 the committee decided to again invite the senior leadership cohort to invest up to 50% of their maximum potential bonus in the scheme at a post-tax matching ratio of 1:1, which approximates 1.8:1 before tax. The rationale for this long-term incentive is further explained in the background statement, specifically on page 67.

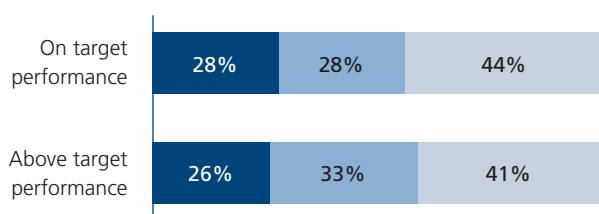
Comprehensive remuneration of the chief executive and group financial director

The breakdown of the potential comprehensive remuneration of the chief executive and group financial director can be depicted graphically as follows:

Chief executive



Group financial director



■ Fixed remuneration ■ Short-term bonus ■ Long-term benefits

Service contracts of executives

The senior leadership cohort are appointed for an unspecified open-ended period subject to Hudaco's standard terms and conditions of employment, which provide for retirement at age 65. For all these executives, the notice period is at least three months. No contractual payments are due to any of them on termination of employment. If there is a change of control of the company, share appreciation and share matching rights vest, but there are no other contractual payments due.

Graham Dunford and Barry Fieldgate have restraint of trade agreements that apply for three years after termination of employment. These were put in place at the time Hudaco acquired the businesses they had owned. No other executive has a restraint of trade agreement.

Non-executive directors' remuneration

Non-executive directors are appointed to the Hudaco Industries Limited board based on their specific skills and their ability to contribute competence, insight and experience appropriate to assisting the group to achieve its objectives. Non-executive directors are remunerated for their membership of the board of Hudaco and board committees. They understand their duties and responsibilities and what is expected from them as non-executive directors.

The non-executive directors are paid a base fee and are required to forfeit a specific penalty for non-attendance of a meeting.

Non-executive directors do not participate in any of Hudaco's long or short-term incentive arrangements.

The board recommends the fees payable to the chairman and non-executive directors for approval by the shareholders. Proposals for fees are prepared by management, for consideration by the remuneration committee and the board. Consideration has been given to the significant responsibility placed on non-executive directors due to the progressively burdensome legal and regulatory requirements and the commensurate risks assumed. Benchmarking information of companies of similar size and complexity are factors considered when reviewing the annual fees. Since 2022, increases have been slightly above the increases in fixed remuneration of the executive directors to make up some of the ground lost against market because there was no increase in 2021 due to the impact of Covid-19. In March 2023 the shareholders approved a 7.5% increase. An independent benchmarking exercise conducted in January 2024 by Khokhela Remuneration Advisors revealed that the fees for certain roles ought to be realigned. Some were found to be lower and some higher than those of the comparator group. The proposed revision to be put to shareholders at the 2024 AGM better aligns remuneration for the individual roles and the overall average increase is 6%, which accords well with the increases awarded to executive directors.

Non-binding advisory vote

In line with King IV, Hudaco will table its remuneration policy and implementation report for two separate non-binding advisory votes at the upcoming annual general meeting. If 25% or more of the shareholders vote against either resolution at the annual general meeting, the board will invite the identifiable dissenting shareholders to engage with the remuneration committee on their concerns.



Section 3: Implementation of the remuneration policy

The group had no prescribed officers for the financial year. Prescribed officers are persons, not being directors, who either alone or with others exercise executive control and management over the whole or a significant portion of the business of the company.

During the year under review, no executive director's employment or office was terminated and no payments were made in this regard. No *ex gratia* payment was made to any director or other executive. Louis Meiring resigned as a director in January 2024 and will leave the group no later than 31 March 2024.

There was no deviation from the remuneration policy and the committee is satisfied that the remuneration policy achieved its objectives in the 2023 financial year.



Fair and responsible remuneration

Hudaco continues to work on ensuring that there is fair and responsible remuneration within the group. The principle of equal pay for work of equal value and the elimination of any gender-based pay gap is a priority. The fixed guaranteed remuneration of the senior leadership cohort was benchmarked by Khokhela Remuneration Advisors in June 2023 against companies with similar size, complexity and geographical spread. Taking into account the results of this benchmarking exercise, in general it was increased by 6% in July 2023. Increases for those members of the general body of staff whose remuneration exceeded R1.27 million were authorised at an average of 6% and increases for those whose remuneration was below R1.27 million at an average of 7%. A similar differential has been applied for several years.

After adjusting for amounts carried over from 2022, potentially subject to clawback, the bonuses in 2023 of the senior leadership cohort as a percentage of fixed remuneration, were lower by 20% than in 2022, whereas for the general body of staff the percentage was unchanged. This is consistent with the policy of having more remuneration at risk for senior management.

In 2023, 758 840 (2022: 771 340) share appreciation rights were awarded to a total of 218 people. For the share appreciation rights awarded to the senior leadership cohort to vest, performance conditions must be met. Rights awarded to the other 203 participants do not have performance conditions.

We will continue to work on addressing the pay gap and taking reasonable steps to mitigate it.

Executive directors' remuneration for the year ended 30 November 2023

Graham Dunford – Group chief executive

R000	Fixed remuneration	Retirement fund contributions	Other benefits	Short-term incentive bonus	Total before share-based payments	Value of long-term incentives awarded during the year	Total remuneration
2023	6 293	923	228	10 800	18 244	14 904	33 148
2022	5 963	831	227	15 050	22 071	13 344	35 415

Fixed guaranteed remuneration and benefits

Graham's total fixed cost-to-company remuneration increased by 6.2% on 1 July 2023 from R7 155 000 to R7 600 000. His position was externally benchmarked by Khokhela Remuneration Advisors in June 2023 against companies with a similar size, complexity and geographical spread.

Annual short-term incentive bonus

The following short-term incentive performance criteria and weightings, as determined by the remuneration committee, were used to calculate Graham's annual bonus of R10 800 000 (2022: R15 050 000). This included the release of a bonus of 15% (R1 140 000) that had been earned in 2022 in terms of the formula but was required to be held back until the following year, subject to clawback if performance criteria had not been met.

2023 measure		Measure achieved 2023	Maximum bonus % available	Bonus % achieved
Measurement	Target			
Return on equity	Minimum – 14% Primary – 17% Stretch – 23%	20%	54%	48.83%
Increase in ceps	Primary – 10% Stretched	10%	63% uncapped but subject to clawback	40.46%
Increase in intrinsic value	R20 per share	R21	15%	15%
Personal non-financial objectives			25%	22.5%
Total percentage of guaranteed fixed remuneration – earned and payable for 2023			157% + ceps stretch	126.79%
Release of 2022 bonus held back subject to clawback				15%
Total percentage of guaranteed fixed remuneration payable				141.79%

Performance-based share appreciation bonus scheme

In line with long-term incentive benchmarks for executive directors, on 17 July 2023 Graham was awarded 120 000 share appreciation bonus rights to be measured off a 10-day VWAP base of R158.63 per share. Subject to the performance criteria, one-third of the allocation will vest three years from the allocation date with another third vesting at the end of year four and the balance at the end of year five.

On 27 February 2023 Graham exercised 23 352 rights awarded in 2014 at a base price of R92.04, 29 490 rights awarded in 2015 at a base price of R125.24, 91 992 rights awarded in 2016 at a base price of R102.93, 68 460 rights awarded in 2017 at a base price of R125.10 and 35 280 rights awarded in 2019 at a base price of R117.27. These rights were exercised at a 10-day VWAP of R168.88, resulting in a gain, settled by the delivery of 82 697 Hudaco shares acquired by the company on the open market at R14 309 354.

On 27 July 2023 Graham exercised 390 rights awarded in 2015 at a base price of R125.24, 13 672 rights awarded in 2016 at a base price of R102.93, 3 675 rights awarded in 2017 at a base price of R125.10, 67 932 rights awarded in 2018 at a base price of R149.51, 54 292 rights awarded in 2019 at a base price of R117.27 and 78 333 rights awarded in 2020 at a base price of R68.37. These rights were exercised at a 10-day VWAP of R160.17, resulting in a gain, settled by the delivery of 69 731 Hudaco shares acquired by the company on the open market at R11 287 629.

He forfeited 61 148 rights because the performance factors were not met in full.

Graham has the following rights in terms of the share appreciation bonus scheme:

	Out-standing rights beginning of year	Strike price R	Granted during the year	Taken up during the year	Forfeited during the year	Out-standing rights end of year	Date granted	Number of tranches	Date benefit to be determined	Prospects of meeting performance requirements	Estimated value at end of year R000
2023	1 081 560		120 000	466 868	61 148	673 544					
	69 500	92.04		23 352	46 148		25-Jul-14	3	Jul 17 – Jul 23	Partial	Nil
	60 000	125.24		29 880	15 000	15 120	10-Jul-15	3	Jul 18 – Jul 24	Partial	285
	115 860	102.93		105 664		10 196	20-Jul-16	3	Jul 19 – Jul 25	Partial	533
	105 000	125.10		72 135		32 865	24-Jul-17	3	Jul 20 – Jul 26	Partial	860
	102 000	149.51		67 932		34 068	23-Jul-18	3	Jul 21 – Jul 27	Partial	311
	137 100	117.27		89 572		47 528	26-Jul-19	3	Jul 22 – Jul 28	Good	2 181
	235 000	68.37		78 333		156 667	27-Jul-20	3	Jul 23 – Jul 29	Very good	14 851
	135 000	124.91				135 000	09-Jul-21	3	Jul 24 – Jul 30	Very good	5 169
	122 100	146.50				122 100	29-Jul-22	3	Jul 25 – Jul 31	Very good	2 039
		158.63	120 000			120 000	17-Jul-23	3	Jul 26 – Jul 32	Too soon	Nil
2022	1 068 294		122 100	54 545	54 289	1 081 560					
	9 334	90.80			9 334		12-Jul-13	3	Jul 16 – Jul 22	Minimal	Nil
	139 000	92.04		39 545	29 955	69 500	25-Jul-14	3	Jul 17 – Jul 23	Partial	1 120
	90 000	125.24		15 000	15 000	60 000	10-Jul-15	3	Jul 18 – Jul 24	Partial	435
	115 860	102.93				115 860	20-Jul-16	3	Jul 19 – Jul 25	Partial	3 837
	105 000	125.10				105 000	24-Jul-17	3	Jul 20 – Jul 26	Partial	1 095
	102 000	149.51				102 000	23-Jul-18	3	Jul 21 – Jul 27	Minimal	Nil
	137 100	117.27				137 100	26-Jul-19	3	Jul 22 – Jul 28	Very good	3 116
	235 000	68.37				235 000	27-Jul-20	3	Jul 23 – Jul 29	Very good	16 833
	135 000	124.91				135 000	09-Jul-21	3	Jul 24 – Jul 30	Very good	2 037
		146.50	122 100			122 100	29-Jul-22	3	Jul 25 – Jul 31	Too soon	Nil

Retention-based share matching scheme

In terms of Hudaco's retention-based share matching scheme, Graham was entitled to make a three-year investment to the value of up to 50% of his 2023 potential maximum short-term incentive bonus in Hudaco shares. Graham elected to make the maximum commitment of 50%, amounting to R5 616 675. To achieve this, on 16 February 2023 when the market price was R165.82 per share, Graham committed to the scheme 33 872 shares, which will be matched at a ratio of 1:1 post-tax so he received 1.818 rights for each share.

On 16 February 2023 Graham exercised the rights granted to him in 2020, so the company purchased for him 48 882 shares, in the open market at a weighted average price of R169.00 per share and a total consideration of R8 261 058.

Based on his potential maximum short-term bonus, he is entitled to commit to the scheme further shares up to a maximum value of R5 966 000 by 15 April 2024. These shares will be matched in 2027 at a ratio of 1:1 post-tax, which approximates 1.8:1 before tax, as set out in the background statement, specifically on page 67.

Graham Dunford holds rights to matching shares in terms of the share matching scheme as follows:

Year invested	2023	2022	2021	2020	2019	Total
Year of vesting	2026	2025	2024	2023	2022	
Rights at 30 November 2021			185 974	48 882	34 591	269 447
Granted during year		62 198				62 198
Exercised during year					(34 591)	(34 591)
Rights at 30 November 2022		62 198	185 974	48 882		297 054
Granted during year	61 585					61 585
Exercised during year				(48 882)		(48 882)
Rights at 30 November 2023	61 585	62 198	185 974			309 757

Clifford Amoils – Group financial director

R000	Fixed remuneration	Retirement fund contributions	Other benefits	Short-term incentive bonus	Total before share-based payments	Value of long-term incentives awarded during the year	Total remuneration
2023	3 713	570	205	5 640	10 128	5 063	15 191
2022	3 492	538	202	8 000	12 232	5 236	17 468

Fixed guaranteed remuneration and benefits

Clifford's total fixed cost-to-company remuneration increased by 6.1% on 1 July 2023 from R4 346 000 to R4 610 000. His position was externally benchmarked by Khokhela Remuneration Advisors in June 2023 against companies with a similar size, complexity and geographical spread.

Annual short-term incentive bonus

The following short-term incentive performance criteria and weightings, as determined by the remuneration committee, were used to calculate Clifford's annual bonus which amounted to R5 640 000 (2022: R8 000 000). This included the release of a bonus of 15% (R651 900) that had been earned in 2022 in terms of the formula but was required to be held back until the following year, subject to clawback if performance criteria had not been met.



2023 measure		Measure achieved 2023	Maximum bonus % available	Bonus % achieved
Measurement	Target			
Return on equity	Minimum – 14% Primary – 17% Stretch – 23%	20%	44%	38.83%
Increase in ceps	Primary – 10% Stretched	10%	46% uncapped but subject to clawback	31.46%
Increase in intrinsic value	R20 per share	R21	15%	15%
Personal non-financial objectives			25%	22%
Total percentage of guaranteed fixed remuneration – earned and payable for 2023			130% + ceps stretch	107.29%
Release of 2022 bonus held back subject to clawback				15%
Total percentage of guaranteed fixed remuneration payable				122.29%

Performance-based share appreciation bonus scheme

In line with long-term incentive benchmarks for executive directors, on 17 July 2023 Clifford was awarded 11 360 share appreciation bonus rights to be measured off a 10-day VWAP base of R158.63. Subject to the performance criteria, these rights will vest at the end of three years from the allocation date.

On 27 February 2023 Clifford exercised 8 299 rights awarded in 2014 at a base price of R92.04, 14 942 rights awarded in 2015 at a base price of R125.24, 43 638 rights awarded in 2016 at a base price of R102.93, 31 948 rights awarded in 2017 at a base price of R125.10 and 14 977 rights awarded in 2019 at a base price of R117.27. These rights were exercised at a 10-day VWAP of R168.88, resulting in a gain, settled by the delivery of 37 537 Hudaco shares acquired by the company on the open market at R6 495 160.

On 27 July 2023 Clifford exercised 197 rights awarded in 2015 at a base price of R125.24, 6 486 rights awarded in 2016 at a base price of R102.93, 1 715 rights awarded in 2017 at a base price of R125.10, 23 047 rights awarded in 2019 at a base price of R117.27 and 33 200 rights awarded in 2020 at a base price of R68.37. These rights were exercised at a 10-day VWAP of R160.17, resulting in a gain, settled by the delivery of 27 934 Hudaco shares acquired by the company on the open market at R4 521 786.

He forfeited 24 001 rights because the performance factors were not met in full.

Clifford has the following rights in terms of the share appreciation bonus scheme:

2023	Out-standing rights beginning of year	Strike price R	Granted during the year	Taken up during the year	Forfeited during the year	Out-standing rights end of year	Date granted	Number of tranches	Date benefit to be determined	Prospects of meeting performance requirements	Estimated value at end of year R000
	439 760		11 360	178 449	24 001	248 670					
	24 700	92.04		8 299	16 401		25-Jul-14	3	Jul 17 – Jul 23	Partial	Nil
	30 400	125.24		15 139	7 600	7 661	10-Jul-15	3	Jul 18 – Jul 24	Partial	144
	54 960	102.93		50 124		4 836	20-Jul-16	3	Jul 19 – Jul 25	Partial	253
	49 000	125.10		33 663		15 337	24-Jul-17	3	Jul 20 – Jul 26	Partial	401
	43 000	149.51				43 000	23-Jul-18	3	Jul 21 – Feb 27	Partial	392
	58 200	117.27		38 024		20 176	26-Jul-19	3	Jul 22 – Feb 27	Good	926
	99 600	68.37		33 200		66 400	27-Jul-20	3	Jul 23 – Feb 27	Very good	6 297
	51 000	124.91				51 000	09-Jul-21	3	Jul 24 – Feb 27	Very good	1 953
	28 900	146.50				28 900	29-Jul-22	2	Jul 25 – Feb 27	Very good	483
		158.63	11 360			11 360	17-Jul-23	1	Jul 26 – Feb 27	Too soon	Nil

	Out-standing rights beginning of year	Strike price R	Granted during the year	Taken up during the year	Forfeited during the year	Out-standing rights end of year	Date granted	Number of tranches	Date benefit to be determined	Prospects of meeting performance requirements	Estimated value at end of year R000
2022	459 760		28 900	21 654	27 246	439 760					
	9 000	90.80			9 000		12-Jul-13	3	Jul 16 – Jul 22	Minimal	Nil
	49 400	92.04		14 054	10 646	24 700	25-Jul-14	3	Jul 17 – Jul 23	Partial	398
	45 600	125.24		7 600	7 600	30 400	10-Jul-15	3	Jul 18 – Jul 24	Partial	221
	54 960	102.93				54 960	20-Jul-16	3	Jul 19 – Jul 25	Partial	1 820
	49 000	125.10				49 000	24-Jul-17	3	Jul 20 – Jul 26	Partial	511
	43 000	149.51				43 000	23-Jul-18	3	Jul 21 – Feb 27	Minimal	Nil
	58 200	117.27				58 200	26-Jul-19	3	Jul 22 – Feb 27	Very good	1 323
	99 600	68.37				99 600	27-Jul-20	3	Jul 23 – Feb 27	Very good	7 134
	51 000	124.91				51 000	09-Jul-21	3	Jul 24 – Feb 27	Very good	770
		146.50	28 900			28 900	29-Jul-22	2	Jul 25 – Feb 27	Too soon	Nil

Retention-based share matching scheme

In terms of Hudaco's retention-based share matching scheme, Clifford was entitled to make a three-year investment to the value of up to 50% of his 2023 potential maximum short-term incentive bonus in Hudaco shares. Clifford elected to make the maximum commitment of 50%, amounting to R2 824 900. To achieve this, on 16 February 2023 when the market price was R165.82 per share, Clifford committed to the scheme 17 035 shares, which will be matched at a ratio of 2:1 post-tax so he received 1.818 rights for each share.

On 16 February 2023 Clifford exercised the rights granted to him in 2020, so the company purchased for him 24 319 shares, in the open market at a weighted average price of R169.00 per share and at a total consideration of R4 109 911.

Based on his potential maximum short-term bonus, he is entitled to commit to the scheme further shares up to a maximum value of R2 080 900 by 15 April 2024. These shares will be matched in 2026 (his scheduled retirement) at a ratio of 1:1 post-tax, which approximates 1.8:1 before tax, as set out in the background statement, specifically on page 67.

Clifford Amoils holds rights to matching shares in terms of the share matching scheme as follows:

Year invested	2023	2022	2021	2020	2019	Total
Year of vesting	2026	2025	2024	2023	2022	
Rights at 30 November 2021			92 523	24 319	17 192	134 034
Granted during year		31 069				31 069
Exercised during year					(17 192)	(17 192)
Rights at 30 November 2022		31 069	92 523	24 319		147 911
Granted during year	30 973					30 973
Exercised during year				(24 319)		(24 319)
Rights at 30 November 2023	30 973	31 069	92 523			154 565

Louis Meiring – Executive director

R000	Fixed remuneration	Retirement fund contributions	Other benefits	Short-term incentive bonus	Total before share-based payments	Value of long-term incentives awarded during the year	Total remuneration
2023	3 612	557	274	5 080	9 523	6 857	16 380
2022	3 395	525	257	6 600	10 777	6 117	16 894

Fixed remuneration

Louis' total fixed cost-to-company remuneration increased by 6.1% on 1 July 2023 from R4 240 000 to R4 500 000. His position was externally benchmarked by Khokhela Remuneration Advisors in June 2023 against companies with a similar size, complexity and geographical spread.

Annual short-term incentive bonus

The following short-term incentive performance criteria and weightings, as determined by the remuneration committee, were used to calculate Louis' annual bonus which amounted to R5 080 000 (2022: R6 600 000):

2023 measure		Measure achieved 2023	Maximum bonus % available	Bonus % achieved
Measurement	Target			
Return on equity	Minimum – 14% Primary – 17% Stretch – 23%	20%	44%	38.83%
Increase in ceps	Primary – 10% Stretched	10%	46% uncapped but subject to clawback	31.46%
Increase in intrinsic value	R20 per share	R21	15%	15%
Personal non-financial objectives			25%	12.5%
Total percentage of guaranteed fixed remuneration – earned and payable for 2023			130% + ceps stretch	97.79%
Release of 2022 bonus held back subject to clawback				15%
Total percentage of guaranteed fixed remuneration payable				112.79%

Performance-based share appreciation bonus scheme

In line with long-term incentive benchmarks for executive directors, on 17 July 2023 Louis was awarded 49 700 share appreciation bonus rights to be measured off a 10-day VWAP base of R158.63 per share. Subject to the performance criteria, one-third of the allocation will vest three years from the allocation date with another third vesting at the end of year four and the balance at the end of year five.

On 19 October 2023 Louis exercised 36 588 rights awarded in 2019 at a base price of R117.27 and 47 333 rights awarded in 2020 at a base price of R68.37. These rights were exercised at a 10-day VWAP of R154.80, resulting in a gain, settled by the delivery of 35 297 Hudaco shares acquired by the company on the open market at R5 489 029.

At 30 November 2023, Louis Meiring had the following rights in terms of the share appreciation bonus scheme. They will all be forfeited when he leaves the group by the end of March 2024.

	Out-standing rights beginning of year	Strike price R	Granted during the year	Taken up during the year	Forfeited during the year	Out-standing rights end of year	Date granted	Number of tranches	Date benefit to be determined	Prospects of meeting performance requirements	Estimated value at end of year R000
2023	304 640		49 700	83 921		270 419					
	56 000	117.27		36 588		19 412	26-Jul-19	3	Jul 22 – Jul 28	Good	890
	142 000	68.37		47 333		94 667	27-Jul-20	3	Jul 23 – Jul 29	Very good	8 977
	56 000	124.91				56 000	09-Jul-21	3	Jul 24 – Jul 30	Very good	2 144
	50 640	146.50				50 640	29-Jul-22	3	Jul 25 – Jul 31	Very good	846
	158.63		49 700			49 700	17-Jul-23	3	Jul 26 – Jul 32	Too soon	Nil
2022	254 000		50 640			304 640					
	56 000	117.27				56 000	26-Jul-19	3	Jul 22 – Jul 28	Very good	1 273
	142 000	68.37				142 000	27-Jul-20	3	Jul 23 – Jul 29	Very good	10 171
	56 000	124.91				56 000	09-Jul-21	3	Jul 24 – Jul 30	Very good	845
	146.50		50 640			50 640	29-Jul-22	3	Jul 25 – Jul 31	Too soon	Nil

Retention-based share matching scheme

In terms of Hudaco's retention-based share matching scheme, Louis was entitled to make a three-year investment to the value of up to 50% of his 2023 potential maximum short-term incentive bonus in Hudaco shares. Louis elected to make the maximum commitment of 50%, amounting to R2 756 000. To achieve this, on 16 February 2023 when the market price was R165.82 per share, Louis committed to the scheme 16 620 shares, which will be matched at a ratio of 2:1 post-tax so he received 1.818 rights for each share.

On 16 February 2023 Louis exercised the rights granted to him in 2020, so the company purchased for him 21 052 shares, in the open market at a weighted average price of R169.00 per share and at a total consideration of R3 557 788.

No further share matching rights were awarded to him in February 2024, as he has resigned.

At 30 November 2023, Louis Meiring held rights to matching shares in terms of the share matching scheme as follows:

Year invested	2023	2022	2021	2020	2019	Total
Year of vesting	2026	2025	2024	2023	2022	
Rights at 30 November 2021			86 977	21 052	16 827	124 856
Granted during year		30 311				30 311
Exercised during year					(16 827)	(16 827)
Rights at 30 November 2022		30 311	86 977	21 052		138 340
Granted during year	30 218					30 218
Exercised during year				(21 052)		(21 052)
Rights at 30 November 2023	30 218	30 311	86 977			147 506

On 11 March 2024 he will be eligible to exercise the 86 977 rights issued to him in 2021. The remaining rights will all be forfeited as he has resigned.

Ernie Smith – Executive director

R000	Fixed remuneration	Retirement fund contributions	Other benefits	Short-term incentive bonus	Total before share-based payments	Value of long-term incentives awarded during the year	Total remuneration
2023*	2 523	384	148	4 235	7 290	3 775	11 065

* Ernie was appointed as an alternate director on 2 February 2023 and a director in his own right with effect from 1 February 2024.

Fixed guaranteed remuneration and benefits

Ernie's total fixed cost-to-company remuneration increased by 12% on 1 July 2023 from R3 392 000 to R3 800 000 in recognition of his appointment as an alternate director. His position was externally benchmarked by Khokhela Remuneration Advisors in June 2023 against companies with a similar size, complexity and geographical spread.

Annual short-term incentive bonus

The following short-term incentive performance criteria and weightings, as determined by the remuneration committee, were used to calculate Ernie's annual bonus which amounted to R4 235 000. This included the release of a bonus of 15.13% (R575 000) that had been earned in 2022 in terms of the formula but was required to be held back until the following year, subject to clawback if performance criteria had not been met.

In addition, a bonus of 20.21% has been earned in 2023 in terms of the formula but is required to be held back until 2024 and is subject to clawback if performance criteria are not met.

2023 measure	Measure achieved 2023	Maximum bonus % available	Bonus % achieved
Measurement	Target		
Return on net tangible operating assets	Minimum – 15% Primary – 18% Stretch – 23%	26.3%	32%
Operating profit	Primary – Varies by business Stretched	29.7%	32%
Personal non-financial objectives		uncapped but subject to clawback	20.21%
		14%	12%
Total percentage of guaranteed fixed remuneration – earned and payable for 2023			96.21%
Release of 2022 bonus held back subject to clawback			15.13%
Total percentage of guaranteed fixed remuneration payable		78% + profit stretch	111.34%

Performance-based share appreciation bonus scheme

In line with long-term incentive benchmarks for executive directors, on 17 July 2023 Ernie was awarded 33 600 share appreciation bonus rights to be measured off a 10-day VWAP base of R158.63. Subject to the performance criteria, one-third of the allocation will vest three years from the allocation date with another third vesting at the end of year four and the balance at the end of year five.

On 27 July 2023 Ernie exercised 11 322 rights awarded in 2018 at a base price of R149.51, 9 109 rights awarded in 2019 at a base price of R117.27 and 29 167 rights awarded in 2020 at a base price of R68.37. These rights were exercised at a 10-day VWAP of R160.17, resulting in a gain, settled by the delivery of 19 908 Hudaco shares acquired by the company on the open market at R3 191 252.

Ernie has the following rights in terms of the share appreciation bonus scheme:

	Out-standing rights beginning of year	Strike price R	Granted during the year	Taken up during the year	Forfeited during the year	Out-standing rights end of year	Date granted	Number of tranches	Date benefit to be determined	Prospects of meeting performance requirements	Estimated value at end of year R000
2023	189 981		33 600	49 598		173 983					
	17 000	149.51		11 322		5 678	23-Jul-18	3	Jul 21 – Jul 27	Partial	52
	17 081	117.27		9 109		7 972	26-Jul-19	3	Jul 22 – Jul 28	Good	366
	87 500	68.37		29 167		58 333	27-Jul-20	3	Jul 23 – Jul 29	Very good	5 532
	36 000	124.91				36 000	09-Jul-21	3	Jul 24 – Jul 30	Very good	1 378
	32 400	146.50				32 400	29-Jul-22	3	Jul 25 – Jul 31	Very good	541
		158.63	33 600			33 600	17-Jul-23	3	Jul 26 – Jul 32	Too soon	Nil

Retention-based share matching scheme

In terms of Hudaco's retention-based share matching scheme, Ernie was entitled to make a three-year investment to the value of up to 50% of his 2023 potential maximum short-term incentive bonus in Hudaco shares. Ernie elected to make the maximum commitment of 50%, amounting to R1 322 880. To achieve this, on 20 March 2023 when the market price was R160.07 per share, Ernie committed to the scheme 8 264 shares, which will be matched at a ratio of 2:1 post-tax so he received 1.818 rights for each share.

On 26 April 2023 Ernie exercised the rights granted to him in 2020, so the company purchased for him 5 000 shares, in the open market at a weighted average price of R155.48 per share and at a total consideration of R777 381.

He is entitled to commit to the scheme further shares up to a maximum value of R2 730 000 by 23 April 2024. These shares will be matched in 2026 at a ratio of 1:1 post-tax, which approximates 1.8:1 before tax, as set out in the background statement, specifically on page 67.

Ernie Smith holds rights to matching shares in terms of the share matching scheme as follows:

Year invested	2023	2022	2021	2020	2019	Total
Year of vesting	2026	2025	2024	2023	2022	
Rights at 30 November 2021			18 182	5 000	5 855	29 037
Granted during year		14 691				14 691
Exercised during year					(5 855)	(5 855)
Rights at 30 November 2022		14 691	18 182	5 000		37 873
Granted during year	15 025					15 025
Exercised during year				(5 000)		(5 000)
Rights at 30 November 2023	15 025	14 691	18 182			47 898

Non-executive directors' remuneration

Non-executive directors' remuneration for the year ended 30 November 2023

R000 (excluding VAT)	2023	2022
SJ Connelly	1 268	1 183
B Bulo*	227	–
N Mandindi	787	730
D Naidoo	910	847
MR Thompson	777	725
Total	3 969	3 485

* B Bulo was appointed to the board with effect from 22 June 2023.

Proposed non-executive directors' fees for 2023/2024

At Hudaco's annual general meeting to be held on 27 March 2024, shareholders will be requested to approve the non-executive directors' fees for the period 1 April 2024 until 31 March 2025 as set out below. These proposed fees were benchmarked against those of similar companies in the market in January 2024 by Khokhela Remuneration Advisors are up an average of 6% from those of the past year, which accords well with the increase in the consumer price index and the increase awarded to executive directors. By individual category, the adjustments vary to better align with the benchmarking exercise.

R000 (excluding VAT)	Proposed 2023/24	
	Base fee	Penalty for non-attendance
Board		
Chairman of the board	1 376*	26
Lead independent non-executive	408	22
Board member	368	18
Audit and risk management committee		
Chairman of the committee	302	24
Committee member	177	18
Remuneration committee		
Chairman of the committee	212	24
Committee member	104	17
Nomination committee		
Chairman of the committee	*	18
Committee member	90	14
Social and ethics committee		
Chairman of the committee	196	24
Committee member	92	14

* All-inclusive fee.

The penalty incurred for non-attendance as chairman of a meeting would be paid to the member who stood in as chairman at that meeting. The fee for additional meetings would be: chairman – R37 000 and member – R27 000.

Corporate governance

Hudaco is committed to maintaining a high standard of corporate governance and to creating value for stakeholders in a balanced, ethical and sustainable manner. The board seeks to ensure that good governance is practiced at all levels in the group and that it is an integral part of Hudaco's operations.



Each member of the board is committed to continue, individually and collectively, to cultivate and exhibit in their conduct the following characteristics: integrity, competence, responsibility, accountability, fairness and transparency.

Hudaco's values support the approach adopted in the King IV Report on Corporate Governance for South Africa (King IV) of wider stakeholder inclusivity and enhanced corporate citizenship, which underpin Hudaco's reporting and engagement approach to a wider group of stakeholders. Doing business is about creating shared value and meeting responsibilities to contribute to economic development and to give back to communities and the environment, for the benefit of the wider stakeholder group.

The board is the focal point of the group's corporate governance system and remains ultimately accountable and responsible for its performance and affairs.

A corporate culture of compliance with applicable laws, regulations, internal policies and procedures has been established within the group. Responsible corporate citizenship and accountability for stewardship of assets have played a key role in securing sustainable returns and serve to provide stakeholders with the assurance that the group's businesses are managed appropriately.

The board members are further accountable for the ethical and effective leadership of Hudaco and are required to conduct themselves in accordance with the highest ethical standards and with honesty and integrity.

Application of and compliance with King IV

The board conducts a continuous process of self-assessment against the relevant principles as well as the related recommended practices of King IV. The board is satisfied that the Hudaco group is in substantive alignment with the principles and has adopted relevant practices. The board is fully committed to the four outcomes of King IV being: an ethical culture, good performance, effective control and legitimacy.

A report on Hudaco's application of and compliance with the King IV principles is set out on the Hudaco website.



Our governance framework and structure

The board performs its governance responsibilities within a framework of policies and controls, with which it manages the group's economic, environmental and social performance and provides for effective risk assessment. The board remains committed to a governance philosophy that advocates high standards of leadership, ethics, integrity, accountability and responsibility. The board's responsibilities are outlined in its charter, which the board reviews and adopts annually.

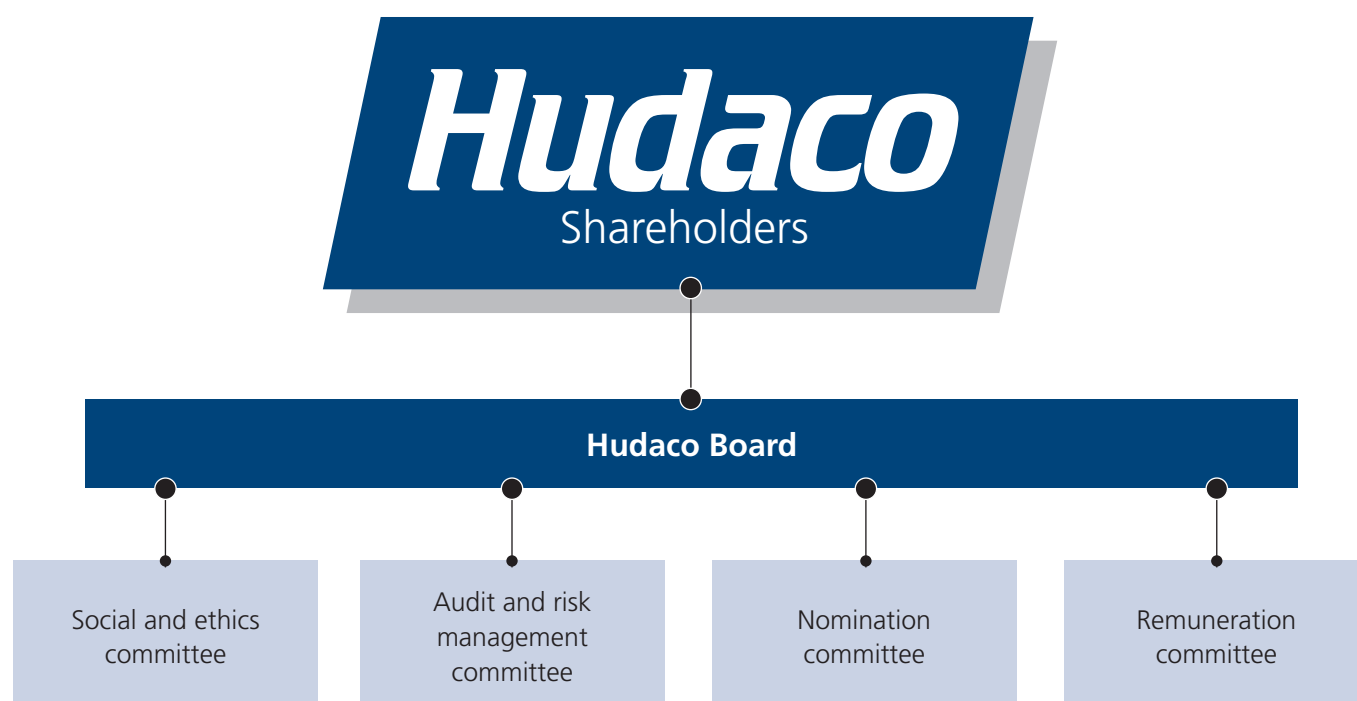
The board charter, which is aligned with the recommendations of King IV, the Companies Act, the JSE Listings Requirements and Hudaco's Memorandum of Incorporation (the MOI), details the responsibilities and duties of the board.

Board committees facilitate the discharge of board responsibilities and provide in-depth focus in specific areas. The board reviews each committee's terms of reference at least once a year. Terms of reference set out the role, responsibilities, delegated authority with respect to decision-making, the tenure, when and how the committee should be reporting to the board, access to resources and information, composition and procedures of each committee as well as arrangements for evaluating performance.

The committees report to the board through their respective chairmen and the minutes are available to every board member.

Some members have, on occasion, attended board and committee meetings by video conference but, overwhelmingly, attendance has been in person.

The diagram that follows sets out the Hudaco group's governance structure, reflecting the Hudaco board as having ultimate oversight:



Compliance management

The board is ultimately responsible for the governance of compliance with applicable laws and adopted, non-binding rules, codes and standards. To this end, the board has approved a corporate compliance policy that articulates and gives effect to the board's direction on compliance, and identifies which non-binding rules, codes and standards the board has adopted. The policy also sets out Hudaco's principles of business conduct.

Various other policies exist within the Hudaco group requiring compliance with applicable legislation and rules. The group secretary, together with various financial, human resources, risk management, internal audit and treasury functions, assists operations in ensuring that legislation is complied with at all times by educating members of management and staff regarding legislative requirements.

Compliance reports are presented to the audit and risk management committee as well as the social and ethics committee. The board monitors compliance with:

- **JSE Listings Requirements:** Hudaco, as a listed company, is subject to, and remains compliant with, the JSE Listings Requirements. Hudaco is guided by its sponsor, Nedbank Corporate and Investment Banking, a division of Nedbank Limited, in this regard.
- **King IV:** The board is satisfied that the Hudaco group substantially complies with the principles and spirit of King IV.
- **Companies Act:** The Companies Act aims to promote good corporate governance and transparency in South African businesses. The audit and risk management committee as well as the social and ethics committee ensure compliance with all the relevant governance provisions of the Act.
- **Other legislation:** A board-approved compliance framework is implemented by Hudaco and its operating businesses in line with an annual compliance plan.

During the period under review, Hudaco maintained a focus on relevant aspects of legislation, particularly compliance with the expanded high value goods supplier requirements of the Financial Intelligence Centre Act (FICA), the Protection of Personal Information (POPI) Act and the Competition Act. The annual compliance certificate confirming Hudaco's compliance with the JSE Listings Requirements has been completed and submitted to the JSE. Neither Hudaco nor any of its directors or officers was subject to any material regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations.

Focus areas for 2024 include the continued application of King IV practices, ensuring businesses understand and comply with the expanded high value goods supplier obligations, refreshing knowledge of risks pertaining to the Competition Act, ongoing training of employees on legislative compliance in identified areas and the review and updating of existing policies and procedures.

Board of directors

Board composition

Hudaco has a unitary board structure, usually comprising seven directors. Usually, three are independent non-executive directors, one is a non-executive director and the remaining three are executive directors. At present, there is an additional independent non-executive director to facilitate transition, as a long-standing director has indicated that she will step down at the forthcoming annual general meeting. In addition, the board included an alternate executive director for most of the financial year. This alternate director was appointed a director

in his own right from 1 February 2024 to replace an existing executive director who is exiting. A short *curriculum vitae* of each of the directors appears on pages 20 and 21 of the integrated report.

No individual has unfettered powers of decision-making and there is a clear division of responsibilities at board level to ensure an appropriate balance of power and authority.

The board functions effectively and efficiently and is of an appropriate size and balance for the group, taking into account, among other considerations, the need to have a sufficient number of directors to structure the board committees appropriately, regulatory requirements and the need to address the board's succession plans. A majority of the board members are non-executive directors, most of whom are independent.

Non-executive directors bring diverse perspectives to board deliberations, and they are encouraged to constructively challenge the views of executive directors and management.

The board understands that sound governance practices are fundamental to earning the trust of stakeholders, which is critical to sustaining performance and preserving shareholder value. The board members' collective experience and expertise provide for a balanced mix of attributes to fulfil its duties and responsibilities.

The breadth of experience on the board includes mechanical and electrical engineering, finance and accountancy, banking and treasury, public sector, investment property, property development and overall business – with almost all directors having executive experience.

The roles of the chairman and the chief executive are separate and there is a lead independent non-executive director. The board is led by Stephen Connelly, a non-executive chairman. The chief executive is Graham Dunford. As the chairman is not considered independent for the reason set out under "Independent non-executive directors" below, Daisy Naidoo has acted as lead independent director, a role that will be assumed by Mark Thompson after the annual general meeting in March 2024.

The chairman's role is to set the ethical tone for the board and to ensure that the board remains efficient, focused and operates as a unit. The chairman provides overall leadership to the board without limiting the principle of collective responsibility for board decisions. He also ensures appropriate communication with shareholders and facilitates constructive relations between the executive and non-executive directors.

The lead independent director's role is to provide leadership and advice to the board, without detracting from the authority of the chairman, when the chairman has a conflict of interest. A formal mandate is in place for the lead independent director which details the following functions:

- to lead in the absence of the chairman;
- to serve as a sounding board for the chairman;
- to act as an intermediary between the chairman and other members of the board where appropriate;
- to strengthen the independence of the board;
- to deal with shareholders' concerns where contact through normal channels has failed to resolve concerns, or where such contact is inappropriate;
- to chair discussions and decision-making by the board on matters where the chairman has a conflict of interest; and
- to chair discussions which deal with the succession of the chairman and the chairman's performance appraisal.

The chief executive's principal role is to provide leadership to the executive team in running the group's businesses.

The group financial director is Clifford Amoils. The audit and risk management committee is satisfied that he has the appropriate expertise and experience for this position.

The board defines the group's levels of authority, reserving specific powers for the board while delegating others to management. The collective responsibility of management vests in the chief executive, who regularly reports to the board on the group's objectives and strategy. The board is satisfied that the group's delegation of authority framework has contributed to role clarity and the effective exercise of authority and responsibilities during the reporting period.

Independent non-executive directors

The board annually evaluates the independence of board members. Independence is determined against the criteria set out in King IV, which states that a non-executive director may be categorised as independent when the board concludes that there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making in the best interest of the organisation.

Stephen Connelly is not considered independent as he owns 274 139 Hudaco shares, the value of which he considers significant to his personal wealth.

King IV further provides that any term beyond nine years for an independent non-executive should be subject to a particularly rigorous review by the board, not only of their performance but also the factors that may impair their independence. The assessment should show that the independent director's independence of character and judgement is in no way affected or impaired by the length of service. In this respect, a year ago the board assessed the independence of Daisy Naidoo and concluded that she continued to be independent in both character and judgement, notwithstanding that by the time of the annual general meeting in March 2024, she would have served 13 years on the board. At the time, a new firm of auditors had been appointed for the 2022 audit and the board considered it in the best interests of the company that Daisy Naidoo continue as chairman of the audit and risk management committee through to the completion of the 2023 audit, while the auditor transition took place. The auditor transition is now complete and Bukelwa Bulu, who was appointed to the board and the audit and risk management committee in June 2023, will assume the chair of the audit and risk management committee at the conclusion of the forthcoming annual general meeting.

Bukelwa Bulu and both the other non-executive directors are considered independent.

The role of the board and board procedures

The board directs the group towards, and facilitates the achievement of, Hudaco's strategic and operational objectives. It is accountable for the development and execution of the group's strategy, operating performance and financial results. Its primary responsibilities include: determining the group's purpose and values, providing strategic direction to the group, appointing the chief executive, identifying key risk areas and key performance indicators of Hudaco's businesses, monitoring the performance of the group against agreed objectives, deciding on significant financial matters and reviewing the performance of executive management against defined objectives and, where applicable, industry standards.

A range of non-financial information is also provided to the board to enable it to consider qualitative performance factors that involve broader stakeholder interests. There is a formal schedule of material matters especially reserved for the board's approval.

The board, which meets at least quarterly, retains full and effective control over all the operations. Additional board meetings, apart from those planned, are convened as circumstances dictate. The number of meetings held during the year under review (including meetings of board-appointed committees) and the attendance of each director are set out on the ensuing pages.

The board has unrestricted access to all company information, records, documents and resources to enable it to properly discharge its responsibilities. Management is tasked with ensuring that board members are provided with all relevant information to enable the board to reach objective and informed decisions.

Board meetings are scheduled well in advance and board documentation is provided timeously. Tabling documents at board meetings is the exception rather than the rule. The board agenda and meeting structure assist the board in focusing on corporate governance, its legal and fiduciary duties, group strategy and performance monitoring, thus ensuring that the board's time and energy are appropriately applied.

Directors are kept informed of key developments affecting the group between board meetings. Non-executive directors have access to management and may meet separately with management without the attendance of executive directors.

In terms of the Companies Act, if a director has a personal financial interest in respect of a matter to be considered at a meeting of the board or knows that a related person has a personal financial interest, the director is obliged to disclose the interest and its general nature, recuse themselves and not take part in the consideration of the matter.

The board is aware of the other commitments of its directors and is satisfied that all directors allocate sufficient time to enable them to discharge their responsibilities effectively. The group secretary maintains a register of directors' interests, which is tabled at the board on a quarterly basis and any changes are submitted to the board as they occur.

Board charter

The board has adopted a written charter to assist it to conduct its business in accordance with the principles of good corporate governance and legislation. This charter is reviewed annually and sets out the specific responsibilities to be collectively discharged by the board members as well as the individual roles expected of board members.

The purpose of the board charter is to ensure that all the directors are aware of their powers, duties and responsibilities when acting on behalf of the company. The board charter is subject to the provisions of the Companies Act, JSE Listings Requirements, the MOI and all other applicable legislation. The salient features thereof are:

- role and function of the board;
- detailed responsibilities;
- discharge of duties;
- board composition; and
- establishment of committees.

During the period under review, material issues discussed by the board were determined by assessing the external environment, the needs and expectation of Hudaco's key stakeholders and other significant topics and/or events. For 2023, the dominant issues were the group's response to degradation of the rail network and the inability of our ports to operate effectively within reasonable timeframes, increased load-shedding arising from the worsening shortage of electricity in South Africa and the economic pressure on consumers impacting demand for products driven by consumer spending. The key strategic focus areas were acquisition opportunities and, as always, the management of the relationship between margins, inventories and costs in a very challenging economic environment.

Key focus areas for 2024 include:

- managing inventory levels while dealing with the difficulties in getting goods through South African ports;
- challenges and opportunities arising through degradation of local infrastructure;
- reducing inventories of panels and batteries for solar installations;
- clawing back overall margins;
- continuing efforts to develop and retain more black African managers within the group;
- improving the performance of the three battery businesses and Hudaco Energy; and
- optimising capital allocation, ideally through acquisitions.

The board is satisfied that it fulfilled its responsibilities in accordance with its charter for the reporting period.

Board meeting attendance 2023

	Feb	Mar	Jun	Oct
CV Amoils	✓	✓	✓	✓
B Bulo	n/a	n/a	✓	✓
SJ Connelly	✓	✓	✓	✓
GR Dunford	✓	✓	✓	✓
N Mandindi	✓	✓	✓	✓
LFJ Meiring	✓	✓	✓	✓
D Naidoo	✓	✓	✓	✓
MR Thompson	✓	✓	✓	✓
EJ Smith (alternate)	✓	✓	✓	✓

Board appointments

A third of the directors retire by rotation annually. If they are eligible, available and recommended for re-election by the nomination committee, their names are submitted for re-election at the annual general meeting accompanied by an appropriate *curriculum vitae* set out in the integrated report. In terms of the MOI, every director must retire by rotation at least once in three years. Shareholders also approve the initial appointment of each new director at the first annual general meeting of shareholders following that director's appointment.

The nomination committee assists the board with the recruitment, assessment and nomination of new directors, subject to the whole board approving these appointments. Board members are also invited to interview any potential appointees. In general, the attributes of prospective directors include individuals with the capacity to think strategically and contribute to the company's ongoing evolution of strategy, ability to work collaboratively and integrity that is above reproach. The nomination committee also considers appropriate diversity in its assessment, including but not limited to race and gender diversity.

A formal and transparent procedure applies to all board appointments, which are subject to confirmation by the shareholders at the annual general meeting. A formal policy has been adopted in this respect by the board.

Prior to appointment, potential board appointees are subject to a fit and proper test as required by the JSE Listings Requirements.

In reviewing the board's composition, Hudaco's nomination committee is committed to considering the benefits of all aspects of diversity, specifically focusing on the promotion of the diversity attributes of gender, race, culture, age, field of knowledge, skills and experience, in order to discharge its duties and responsibilities effectively.

The nomination committee discusses and agrees annually all measurable objectives for achieving diversity on the board and recommends them to the board for adoption. In respect of gender diversity, the board aims to ensure that at least 25% of the board of Hudaco Industries is made up of women and that at least 30% of the board should comprise black people. At the date of this report, the board comprised 37.5% black women but that will revert to 28.6% after the forthcoming annual general meeting.

Succession planning

The board's successful evolution is dependent on careful succession planning. The nomination committee is responsible for the board's succession plans and so it ensures that, as directors retire, candidates with sufficient skills and experience have been identified to ensure that the board's competence and balance is either maintained or enhanced, taking into account the group's current and future needs.

The board further oversees that key management functions in Hudaco are headed by individuals with the necessary competence and authority and that they are adequately resourced. There is succession planning in place for the chief executive as well as the executive management and other key positions, to provide continuity of leadership. Succession plans are reviewed periodically and provide for both succession in emergency situations as well as succession over the longer term.

Board committees

Board-appointed committees have been established to assist the board in discharging its responsibilities. The membership and principal functions of the standing committees appear on the ensuing pages. Specific responsibilities have been delegated to the board committees and they operate under written terms of reference approved by the board. Each committee's terms of reference is reviewed annually by the board. Board committees are free to take independent outside professional advice as and when deemed necessary and a formal policy, which sets out the process for this, is in place. The group secretary provides secretarial services for the committees, except for the remuneration committee.

Notwithstanding the establishment of various board committees, the board reserves for itself a range of key matters to ensure that it retains proper direction and control of the company.

There is transparency and full disclosure from board committees to the board. The committee chairmen report formally to the board on the proceedings after each meeting and attend the annual general meeting to respond to any questions from shareholders regarding the committees' areas of responsibility. Directors have full access to all board committee documentation and committee chairmen provide the board with oral reports on recent committee activities.

The board is of the opinion that all the board committees have effectively discharged their responsibilities, as contained in their respective terms of reference.

Evaluation

Formal board and committee assessments are conducted every second year in the form of written responses and/or a one-on-one interview conducted by the chairman with each member of the board. Every alternate year, the board considers its progress against agreed outcomes of the prior evaluation process, if any.

The evaluation of the chairman is conducted by the board.

The last formal board and committee assessments were conducted during November 2023 by way of a questionnaire covering a range of aspects. The questionnaire was compiled and the process was managed by Acorim Proprietary Limited. Key topics covered during this evaluation included:

- board composition and performance;
- culture and communication;
- strategy and strategic alignment
- risk and compliance governance;
- prioritisation; and
- succession planning.

The board members reviewed the summary of the combined results which, in general, pointed to an efficient and effective board. Overall board appraisal scored 3.38 out of 4. There were no areas where the average score was below 3 out of 4.

Remuneration committee

The members of the remuneration committee for the year under review were:

Mark Thompson (chairman), Stephen Connelly and Nyami Mandindi. All the members are non-executive directors and only Stephen Connelly is not considered independent. Bukelwa Bulu will replace Nyami Mandindi on the committee after the annual general meeting in March 2024.

The chief executive and the group financial director attend the meetings by invitation, subject to recusal at appropriate times. The remuneration committee meets twice a year, unless additional meetings are required.

The remuneration committee operates under a board-approved mandate and the terms of reference were reviewed in 2023. The committee does not assume the functions of management, which remain the responsibility of the executive directors and other members of senior management.

Remuneration committee meeting attendance 2023

	Jan	Jun
MR Thompson	✓	✓
SJ Connelly	✓	✓
N Mandindi	✓	✓

66 The remuneration report can be found on pages 66 to 82 of this report.

Nomination committee

The members of the nomination committee for the year under review were:

Stephen Connelly (chairman), Mark Thompson and Daisy Naidoo. All the members, with the exception of Stephen Connelly, are independent non-executives. Nyami Mandindi will replace Daisy Naidoo as a member of the committee after the annual general meeting in March 2024.

The chief executive and the group financial director attend the meetings by invitation, subject to recusal at appropriate times.

The nomination committee functions under written terms of reference and meets at least twice a year, unless otherwise required. It is chaired by the chairman of the board, as required by the JSE Listings Requirements.

The nomination committee assists the board in ensuring that:

- the board has the appropriate composition to execute its duties effectively. Aspects that are considered regarding board composition include whether the candidates would enable the company to:
 - maintain a mixture of business skills and experience relevant to the company and balance the requirements of transformation, diversity, continuity and succession planning; and
 - comply with corporate governance requirements in respect of matters such as the balance between executive, non-executive and independent non-executive directors on the board;
- each potential director meets the appropriate fit and proper test;
- directors are appointed through a formal and transparent process;
- induction and ongoing training and development of directors takes place;
- formal succession plans for the board, chief executive and senior management are in place; and
- formal board and committee assessments are conducted at least every second year.

The nomination committee also provides assurance to the board that the independent non-executive directors offering themselves for election as members of the Hudaco audit and risk management committee, collectively:

- are independent non-executive directors as contemplated in King IV and the JSE Listings Requirements;
- are suitably qualified and experienced for audit committee membership;
- have an understanding of integrated reporting (including financial reporting), internal financial controls, external and internal audit processes, risk management, sustainability issues and the governance process (including information technology governance) within the company;
- possess skills which are appropriate to the company's size and circumstances, as well as industry;
- understand International Financial Reporting Standards (IFRS) and other financial and sustainability reporting standards, regulations and guidelines applicable to the company; and
- adequately keep up to date with the key developments affecting their required skill set.

Nomination committee meeting attendance 2023

	Jan	Jun
SJ Connelly	✓	✓
D Naidoo	✓	✓
MR Thompson	✓	✓

During the period under review, the nomination committee reviewed succession planning for the executive directors and key management positions and identified Bukelwa Bulu for appointment to the board and as a successor to Daisy Naidoo as chairman of the audit and risk management committee.

Focus areas for 2024 include ensuring that appropriate succession plans are in place for senior management and for board members whose tenure will be approaching recommended limits over the next few years.

The board is satisfied that the nomination committee fulfilled its responsibilities in accordance with its terms of reference during the reporting period.

Audit and risk management committee

The members of the audit and risk management committee for the full year under review were: Daisy Naidoo (chairman), Nyami Mandindi and Mark Thompson. Bukelwa Bulu was appointed to the committee in June 2023 as a potential successor for Daisy Naidoo as chairman.

The audit and risk management committee comprises independent non-executive directors only, as required by the Companies Act.

All the members have the requisite financial and/or commercial skills and experience to contribute to the committee's deliberations.

Meetings are held at least three times a year and the chairman of the board, all executive directors, the head of group risk and internal audit and representatives from the external auditors attend committee meetings by invitation. The committee functions under written terms of reference which were most recently reviewed in October 2023. The audit and risk management committee is satisfied that it fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

From an audit oversight perspective, the audit and risk management committee is primarily responsible for:

- considering and monitoring the independence of the external auditors and the appropriate rotation of the lead audit partner and to make recommendations to the board on the appointment and dismissal of the external auditor;
- requesting from the external audit firm the information detailed in the JSE Listings Requirements in its assessment of the suitability for appointment of the current or a prospective audit firm and designated individual partner both when they are appointed for the first time and thereafter annually for every reappointment;
- ensuring that the appointment of the external auditor is presented and included as a resolution at the annual general meeting of the company;
- overseeing the effectiveness of the group's internal control systems, ensuring that they are designed in response to identified key business and control risks, and have been effective throughout the year;
- overseeing the establishment of appropriate financial reporting procedures and that these procedures are operating;

- reviewing the scope and effectiveness of the external and internal audit functions;
- monitoring that adequate accounting records have been maintained;
- monitoring proposed changes in accounting policy;
- considering the accounting and taxation implications of major transactions;
- reviewing and reporting on compliance with IFRS, King IV and the JSE Listings Requirements;
- considering that the group's going concern assertion remains appropriate;
- reviewing the quality of the interim and annual financial statements before submission to the board;
- considering the appropriateness of the expertise and experience of the financial director on an annual basis;
- evaluating the independence of the internal audit function; and
- evaluating the activities and the effectiveness of the internal audit function.

The Companies Act imposes further duties and responsibilities upon the audit and risk management committee including the following:

- nominating for appointment a registered external auditor who is independent of the company;
- determining the fees to be paid to the external auditor and the external auditor's terms of engagement;
- ensuring that the appointment of the external auditor complies with the Companies Act and any other legislation relating to the appointment of external auditors;
- determining the nature and extent of any non-audit services which the external auditor may provide to the company;
- pre-approving any contract with the external auditor for the provision of non-audit services to the company
- preparing a report, to be included in the annual financial statements:
 - describing how the committee carried out its functions;
 - stating whether the committee is satisfied that the external auditor is independent of the company; and
 - commenting in any way the committee considers appropriate on the financial statements, the accounting practices and the internal financial control of the company; and
- receiving and dealing appropriately with any complaints relating to the accounting practices and internal audit of the company, the content or auditing of the financial statements, the internal financial controls of the company or any other related matter.

In line with the above, the audit and risk management committee reports that it has discharged all of its obligations. Specifically:

- After considering their suitability for appointment in terms of paragraph 3.87 of the JSE Listings Requirements, the audit committee again nominated the audit firm Deloitte & Touche and audit partner Petrus van Zijl for appointment by the shareholders at the forthcoming annual general meeting as the auditor for the 2024 financial year. The committee is satisfied that the firm and the individual auditor are independent of the company.
- Any non-audit-related services to be performed by the external auditors require the approval of the audit and risk management committee on a case-by-case basis. The overarching criterion for approval is that the independence of the external auditors

should not be impaired through the provision of services under consideration. It was agreed that there will be a rebuttable presumption that non-audit fees totalling up to 25% of the budgeted annual audit fees will not alone impair the independence of the auditors. During the period under review, no non-audit-related services were rendered by Deloitte & Touche.

- Budgeted audit fees for the financial year ended 30 November 2023 were approved and the scope of the proposed audit work was agreed.
- The committee confirmed the independence of the internal audit function and satisfied itself that internal audit is functioning effectively.
- The internal and external auditors have unrestricted access to this committee. Members of the committee are also afforded the opportunity to meet with the head of internal audit and the external auditors without management being present.
- The committee reviewed the interim and annual financial statements and approved them for submission to the board. This review included a consideration of the estimates, judgements and assumptions set out in note 2 to the financial statements.
- The committee considered and noted the key audit matter as determined by Deloitte & Touche and described in the independent auditor's report.
- No complaints have been received relating to the accounting practices and internal audit of the company or to the content or auditing of the company's financial statements or its internal financial controls, or to any related matter.
- In terms of paragraph 3.84(g) of the JSE Listings Requirements, the committee has satisfied itself that: (i) the expertise and experience of the financial director are appropriate; (ii) Hudaco has established appropriate financial reporting procedures and that these procedures are operating adequately, after considering the group's structure, to ensure that the committee had access to all the financial information; (iii) in the assessment of the suitability for appointment of Deloitte & Touche and audit partner Petrus van Zijl, members considered the information provided by Deloitte & Touche; (iv) the appointment of Deloitte & Touche is presented and included as a resolution at the forthcoming annual general meeting of the company to be held in March 2024.

The audit and risk management committee further oversees that a combined assurance model is applied which enables an effective internal control environment, supports the integrity of information used for internal decision-making and supports the integrity of related external reports. Through formal reports in committee papers and the attendance of all key executives involved with assurance, the audit and risk management committee is provided with a thorough review of the group's assurance activities. These reports include the principles of combined assurance through reports from management and internal and external audit. Attendees at audit and risk management committee meetings include the chairman of the board, all executive directors, the head of group risk and internal audit, the internal audit manager and external audit representatives. During the year, the combined assurance model was reviewed, and the committee was satisfied that the financial risks and financial reporting risks were appropriately reflected therein.

From a risk management perspective, the audit and risk management committee's main responsibilities include overseeing the group's risk management programme. The responsibility for identifying, evaluating and managing risk resides with management. The risk management

process involves a formalised system to identify and assess risk, both at strategic and operational levels. The process includes the evaluation of the mitigating controls and other assurances in identifying and assessing the risks.

Risks are continually being identified and mitigated in terms of a process that involves allocating responsibility, developing action plans and monitoring compliance with these action plans. Every employee has a role to play in this endeavour and in achieving the group's goals and objectives.

During the year under review, the audit and risk management committee discharged all of its duties in respect of risk management. Specifically, it:

- concluded that appropriate systems were in place to identify and monitor risks affecting the group;
- evaluated the adequacy of the effectiveness of the risk management process;
- reviewed and assessed issues such as compliance with legislation and corporate governance matters, the impact that significant litigation could have on the group, the adequacy of the insurance cover as well as the effectiveness of controls over areas of risk;
- provided board-level oversight of the management of sustainability issues; and
- satisfied itself that technology and information governance continued to form an integral part of the company's risk management processes.

The major risks faced by the group are described on pages 18 and 19 of this integrated report.

In addition, the audit and risk management committee has received input on processes in all the businesses to support the chief executive and financial director such that they are in a position to sign the responsibility statement required by the JSE and dealt with more fully on page 96.

Focus areas for 2024 include continued optimisation of risk management at operational level, with particular emphasis on enhancing IT governance in an increasingly challenging cyber world.

Audit and risk management committee meeting attendance 2023

	Jan	Jun	Oct
D Naidoo	✓	✓	✓
B Bulo	n/a	✓	✓
N Mandindi	✓	✓	✓
MR Thompson	✓	✓	✓

Financial control and risk management

The committee recognises the board's responsibility to report a balanced and accurate assessment of the group's financial results and financial position in terms of IFRS, its business, operations and prospects.

Hudaco has an established system of controls and procedures to ensure the accuracy and integrity of the accounting records and to effectively monitor the group's businesses and their performance. The system encompasses a wide range of checks and balances, as well as as interactive controls.

These include:

- decentralised and self-accounting operational and financial management;
- an approval framework with defined authority limits;
- a detailed budgeting system;
- the preparation of forecasts, which are regularly reviewed and updated;
- monthly reporting of income and financial position, together with written reports highlighting areas of particular risk or opportunity;
- a centralised treasury, which incorporates foreign currency and cash management functions;
- regular reporting on treasury, legal, pension, medical aid and insurance matters;
- regular meetings of the boards of the individual operating businesses;
- risk registers at operating and group level, which are monitored on a regular basis; and
- an internal financial control framework.

Chief executive's and financial director's responsibility statement

The audit and risk management committee noted the responsibility statement, as required by paragraph 3.84(k) of the JSE Listings Requirements, submitted by the chief executive and the financial director. The evaluation of controls by the chief executive and the financial director included:

- identification and classification of risks, including the determination of materiality;
- testing the design and determining the implementation of controls to address high-risk areas;
- utilising internal audit to test the operating effectiveness of controls and to address the high-risk areas on an annual basis; and
- obtaining control assessments and attestations from the chief executive and chief financial officer of each decentralised business on the operating effectiveness of controls in their business.

The audit and risk management committee noted a relatively small number of deficiencies, none of which represents a material threat to the group, remedial action taken or to be taken, as well as applicable timeframes. These deficiencies were most prevalent in general IT controls and did not result in any material breakdowns in internal control, including financial controls, business risk management and maintenance of effective internal control systems. Having received input from the internal auditors, external auditors and executive directors, and having considered the reports presented to it throughout the year, the audit and risk management committee supports the conclusion in the responsibility statement submitted by the chief executive and the financial director.

Delegation of authority

Hudaco has adopted specific levels of authority and the required approvals necessary for all major decisions at both group and divisional levels. Through this framework, operational and financial responsibility is formally and clearly delegated to the chief executive, the group financial director and the executives of the principal operating businesses. This is designed to maintain an appropriate control environment within the constraints of board-approved strategies and budgets, while providing the necessary local autonomy for day-to-day operations.

Internal audit

A group risk and internal audit department, which functions under a written charter, provides the role and functions as envisaged in the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. The department's work is designed to ensure that all aspects of each business, including internal control procedures, are subject to professional risk assessment on a regular basis. These controls and procedures provide reasonable assurance that assets are safeguarded from material loss or unauthorised use and that the financial records may be relied on for preparing the financial statements and maintaining accountability for assets and liabilities.

This department has complied with its brief, which is to conduct a formal review of the effectiveness of all the group's systems of internal control over a three-year cycle, with major systems in all businesses reviewed annually.

The department reports any material findings and matters of significance to the audit and risk management committee on a regular basis. The reports highlight whether actual or potential risks to businesses are being appropriately managed and controlled.

Progress in addressing any previous unsatisfactory finding is monitored until proper resolution of the problem area has been reported.

The annual internal audit plan, which is pre-approved by the audit and risk management committee, is determined through an assessment and understanding of risks.

The scopes of the internal and external audits are coordinated to provide efficient and effective assurance to the group's audit and risk management committee.

Risk

The audit and risk management committee and the board assess the risks in the group's business environment with a view to eliminating or reducing them in the context of the group's strategies, operations and risk appetite. The board has confirmed its acceptance of the group's risk management processes and is satisfied that all risks are appropriately governed. The major risks faced by the group are described on pages 18 and 19 of this integrated report. The group's annual internal audit plan incorporates the outcomes of the risk management process. The group risk and internal audit department provides a risk identification facilitation role, but to maintain their independence, the internal audit team members do not participate in this process. Management is responsible for managing risks on a daily and operational basis.

The board is responsible for determining the group's risk appetite and tolerance levels. These have been defined and approved. The group risk map, examined by the board at each meeting, includes a risk tolerance line to highlight whether any residual risks fall beyond the risk tolerance level.

An operational risk management committee, chaired by the group financial director and comprising, *inter alia*, all the managing directors of the various businesses, facilitates the group's risk management programme. This committee meets twice a year prior to the audit and risk management committee and provides valuable insight into the status of risk practices within the group, including IT governance.

During 2022, an independent assessment of Hudaco's enterprise risk management was conducted by a practicing risk management professional, who is the head of risk at another group listed on the JSE. The objective of the review was to assess the adequacy and

effectiveness of risk management within the Hudaco group. The very pleasing conclusion by the independent reviewer included the following statements:

"A common theme that pervaded all interactions with the leaders across the group was that ERM is viewed as a practical enabler to the success of the business, which is precisely the objective of any ERM program. Another key observation across all discussions was a deep desire to constantly improve everything that Hudaco embarks on, a mindset that in my opinion lends itself to excellent risk management."

I am therefore able to satisfy myself that Hudaco's ERM program not only meets but exceeds King 4 requirements, more specifically principle 11 ie "The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives".

Litigation and legal

In the normal course of business, Hudaco is subject to various proceedings, actions and claims. These matters are subject to risks and uncertainties that cannot be reliably predicted.

Technology and information governance

Protecting electronic assets is increasingly complex as networks, systems and electronic data expand and cybercrime increases. Depending on the internet for communication attracts additional risk. Ensuring proper system security, data integrity and business continuity is the responsibility of the board but is overseen by the executive committee and the audit and risk management committee. IT systems at Hudaco are decentralised, with each business determining the most appropriate systems for its own operations. This reduces the group's exposure to any one IT system failure or cybercrime attack.

The board is of the opinion that the systems of internal control over information technology are adequate and effective and is not aware of any material breakdown thereof during the year.

An IT governance committee assists the board in ensuring the effective and efficient management of IT resources to facilitate the achievement of Hudaco's objectives. The IT governance committee functions under a written IT governance charter. Its purpose is to define and deliver the overall IT strategy approved by the group's executive committee and the audit and risk management committee. It is responsible for the development and functionality of IT governance at businesses, IT strategy at functional level, monitoring compliance and measuring progress against plans.

Through the delivery of the IT goals, the IT governance committee is responsible for the primary focus areas of IT governance at Hudaco:

- IT strategic alignment;
- value for money in operational IT spend;
- effective selection and control of IT capital projects;
- recovery from business interruption;
- security of information;
- physical security of IT assets;
- risk from intellectual property infringement (unauthorised or under-licensed software); and
- risk from failure to keep the Hudaco IT systems up to date.

The nature of Hudaco's business has intrinsic key risk mitigation characteristics in that:

- the decentralised structure means that the risk is spread over about 25 different systems. A failure in any one system could be material but would not threaten the entire group. The other side of the coin is that it introduces other risks, such as multiple places where threats could be introduced, but these risks can be, and are being, managed;
- Hudaco's businesses generally do not require custom written software and use off-the-shelf packages, which means the risks involved in software development are not present. These risks include major cost overruns, software loss without adequate up-to-date versions available for restoration and loss of key skills. To the extent that customisation is done for the group, it is data analysis and report writing;
- Hudaco generally does not embark on very expensive IT projects, which contain the risk of fraud and/or mismanagement; and
- overall IT spend is not very high considering the size of the group.

The IT governance committee, chaired by the group financial director, currently comprises the chief executives of all Hudaco's businesses as well as IT professionals from the larger businesses within Hudaco. The committee's charter is fully aligned with King IV requirements. Following an independent review of IT governance within the group, an IT forum was established early in 2023 to provide guidance to the IT governance committee. The IT forum is chaired by the managing director of one of the businesses, consists mainly of IT professionals within the group's businesses and has an independent expert as a member to bring an external perspective.

Focus areas for 2024 include the following:

- establishing a comprehensive understanding of the IT risk landscape of all significant business units within the group in accordance with King IV principles;
- further developing group-wide IT policies and minimum requirements;
- auditing business compliance with specified minimum IT standards, policies and controls;
- enhancing IT risk identification and maintenance of IT risk registers at individual businesses;
- standardising and improving IT governance reporting across the group;
- aligning and documenting IT strategies with business strategic objectives to ensure seamless integration, optimize performance and enhance competitive advantage; and
- Identifying strengths and weaknesses of IT resources within the businesses, to foster a culture of learning and collaboration of IT teams across the group.

Social and ethics committee

As a responsible corporate citizen, Hudaco is committed to ethical leadership and the demonstration of sound corporate governance practices, underpinned by the group's values.

Composition and terms of engagement

The members of the social and ethics committee for the year under review were:

Nyami Mandindi (chairman), Louis Meiring and Daisy Naidoo.

Ernie Smith will replace Louis Meiring and Bukelwa Bulu will replace Daisy Naidoo on the committee after the annual general meeting in March 2024.

The chairman and one other member of the committee are independent non-executive directors, while the remaining member is an executive director. The social and ethics committee meets twice a year and reports to the board. Meetings are also attended by the group financial director (Clifford Amoils), group secretary, transformation and human resources executive (Esther Nkosi), the executive responsible for health, safety and environmental issues (Ernie Smith) and the group QSHE manager (Firdaws Ismail). The head of risk and internal audit and the QSHE internal audit attend for the agenda items to which their activities are relevant. Furthermore, the social and ethics committee is entitled to invite other executives and senior managers of Hudaco to attend meetings as required to fulfil its mandate.

Hudaco's social and ethics committee monitors and oversees Hudaco's activities in relation to:

- social and economic development, including broad-based black economic empowerment and employment equity;
- good corporate citizenship, including the promotion of equality, prevention of unfair discrimination, corporate social responsibility, ethical behaviour, managing environmental impact, and the principles of the UN Global Compact and the OECD's recommendations on corruption;
- health and safety in the workplace;
- consumer relations; and
- labour and employment, including skills development.

Each business within the Hudaco group has its own social and ethics subcommittee. These committees are required to meet twice a year prior to the main committee meeting and provide feedback and input on their activities.

Role and responsibilities

During the 2023 financial year the committee met twice, at which meetings performance in the following areas was reviewed on a rotational or core agenda basis, in response to the requirements of the Companies Act:

- anti-corruption compliance;
- human capital management;
- transformation;
- monitoring for gender or race-based pay gaps;
- regulatory and compliance matters;
- stakeholder relations;
- socio-economic development;
- health and safety; and
- environmental impact.

The social and ethics committee's terms of reference were reviewed during October 2023.

The social and ethics committee confirms that it has discharged its mandate as prescribed by the Companies Regulations to the Companies Act. Management has confirmed that there has been no material non-compliance with legislation or regulations which are within the remit of the committee's mandate. In addition, there have not been any infringements of the relevant governance codes, and no material issues were identified during the year under review. Accordingly, the social and ethics committee confirmed that Hudaco remains a responsible corporate citizen and that the group will continue its efforts to further create value and contribute positively to the environment, social and governance imperatives.

At the forthcoming annual general meeting, scheduled to take place on 27 March 2024, the chairman of the social and ethics committee will be available to report to shareholders on the matters within the committee's mandate in accordance with regulation 43(5)(c) of the Companies Act.

Focus areas for 2024 include continuing to monitor the group's implementation of health and safety standards and environmental impact initiatives and compliance with the Competition and POPI Acts. The B-BBEE scorecard will also continue to be an area of focus, as will social initiatives, particularly in the field of education. The committee is cognizant of, and will respond as and when appropriate to, proposed amendments to the Companies Act which, if promulgated, will:

- affect the composition of the committee and the way in which its members are appointed; and
- potentially increase the committee's duties pertaining to remuneration and the remuneration gap.

Social and ethics committee meeting attendance 2023

	Mar	Oct
N Mandindi	✓	✓
LFJ Meiring	✓	✓
D Naidoo	✓	✓

Executive committee

The members of the executive committee during the year were:

Graham Dunford (chairman), Clifford Amoils, Louis Meiring, Barry Fieldgate, Ernie Smith, Chris Pillay, Esther Nkosi, as well as Lavern Jacobs and Burtie Roberts (both of whom joined on 2 February 2023). David Allman retired from the committee at the end of January 2023. The head of risk and internal audit and other senior executives have standing invitations to attend the meetings.

The executive committee is chaired by the chief executive, Graham Dunford, and meets quarterly, prior to the board meeting. Its principal terms of reference are to advise the chief executive on the formulation of operating policy, the implementation of group strategy and the management of key group risks. The committee incorporates a quality, health, safety and environment subcommittee which has its own written terms of reference.

Executive committee meeting attendance 2023

	Jan	Mar	Jun	Oct
GR Dunford	✓	✓	✓	✓
CV Amoils	✓	✓	✓	✓
BWJ Fieldgate	✓	✓	✓	✓
L Jacobs*	n/a	✓	✓	✓
E Nkosi	✓	✓	✓	✓
LFJ Meiring	✓	✓	✓	✓
B Roberts†	n/a	✓	✓	✓
EJ Smith	✓	✓	✓	**
C Pillay	✓	✓	✓	✓
DL Allman+	✓	n/a	n/a	n/a

* Became a member in February 2023.

† Retired as a member on 31 January 2023.

** Apologies tendered.

Group secretary

Acorim Secretarial and Governance Services, represented by Natasha Davies, is the group secretary of Hudaco.

The group secretary, who is subject to a fit and proper test, assists the board in fulfilling its functions and is empowered by the board to perform her duties. The group secretary, directly or indirectly:

- assists the chairman, chief executive and financial director with the induction of new directors;
- assists the board with director orientation, development and education;
- where practical ensures the group complies with legislation applicable and/or relevant to Hudaco;
- monitors the legal and regulatory environment and communicates new legislation and any changes to existing legislation to the board and the operating businesses; and
- provides the board with a central source of guidance and assistance.

The group secretary also assists the chairman and chief executive in determining the annual board plan and board agendas and in formulating governance and board-related matters.

On 1 February 2024, the board considered and was satisfied with the competence, qualifications and experience of Natasha Davies, who represents the group secretary. It concluded that during this time, an arm's length relationship had been maintained between the board members and the group secretary. This conclusion was based on the fact that she performed her role independently from the board or any individual board member and without the directors having an undue influence over her.

The certificate required to be signed by the group secretary in terms of section 88(2)(e) of the Companies Act appears in the annual financial statements on page 96.

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Share dealings

Hudaco has adopted a closed-period policy, which precludes directors, officers, participants in share-based payment arrangements and staff who may have access to price-sensitive information from dealing in Hudaco shares prior to the release of interim and final results as well as during other price-sensitive periods.

All the directors, the members of the executive committee and their personal assistants are required to obtain written clearance from the chief executive before dealing in Hudaco's securities. The chief executive and financial director require prior clearance from the chairman.

Details of share dealings by directors and the group secretary are disclosed through the Securities Exchange News Service (SENS).

The group secretary maintains a record of all dealings in Hudaco shares by directors and affected employees.

No major subsidiary has any director who is not also a director of Hudaco.

Relationship with stakeholders

Hudaco's relationship with stakeholders is dealt with in the section on stakeholder engagement on pages 16 and 17.

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The Hudaco group has various policies governing communication, relationships and conduct with its stakeholders, which comprise shareholders, employees, customers, suppliers, bankers, the community and government.

Nedbank Corporate and Investment Banking, a division of Nedbank Limited, acted as the company's sponsor during the year under review.

Hudaco acknowledges the importance of its shareholders attending the company's annual general meetings as these meetings offer an opportunity for the shareholders to participate in discussions relating to general meeting agenda items and to raise additional issues. To this end, online attendance was facilitated for the 2023 annual general meeting and will be available again in 2024. Explanatory notes setting out the effects of all proposed resolutions have been included in the notice of annual general meeting. The company's transfer secretaries attend every meeting of shareholders to assist with the recording of shareholders' attendance and to tally the votes.

The chairmen of board-appointed committees, as well as the executive directors, are required to attend annual general meetings or other general meetings to respond to questions from shareholders.



Audited annual financial statements

Institutional investors, private shareholders, bankers, corporate finance houses, analysts and government

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Audit and risk management committee's report

Hudaco is committed to maintaining a high standard of corporate governance and to creating value for stakeholders in a balanced, ethical and sustainable manner. The board seeks to ensure that good governance is practiced at all levels in the group and that it is an integral part of Hudaco's operations.

The audit and risk management committee has pleasure in submitting this report, as required in terms of the South African Companies Act.

The audit and risk management committee consists of four directors who act independently. During the year under review three meetings were held. At these meetings the members fulfilled their functions as prescribed by the Companies Act and the JSE Listings Requirements. Details of the functions of the audit and risk management committee are contained in the corporate governance section on pages 89 to 92.

The audit and risk management committee has satisfied itself that:

- the auditors are independent of the company and are thereby able to conduct their audit without any influence from the company;
- the 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;
- the accounting practices and systems of internal control are appropriate, adequate and monitored effectively; and
- the committee considered and noted the key audit matter determined by Deloitte & Touche as described in the independent auditor's report.

The audit and risk management committee has evaluated the group and company annual financial statements for the year ended 30 November 2023 ("the annual financial statements") and considers that they comply, in all material aspects, with the requirements of the Companies Act and International Financial Reporting Standards. The audit and risk management committee therefore recommended the annual financial statements for approval by the board. The board has subsequently approved the annual financial statements, which will be presented at the forthcoming annual general meeting.



D Naidoo

Chairman of the audit and risk management committee

23 February 2024

Group chief executive's and group financial director's responsibility statement

Each of the directors, whose names are stated below, hereby confirms that:

- (a) the annual financial statements set out on pages 104 to 141 fairly present in all material respects the financial position, financial performance and cash flows of Hudaco Industries Limited and its subsidiaries ("Hudaco") in terms of IFRS;
- (b) to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- (c) internal financial controls have been put in place to ensure that material information relating to Hudaco and its consolidated subsidiaries have been provided to effectively prepare the financial statements of Hudaco;
- (d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- (e) where we are not satisfied, we have disclosed to the audit and risk management committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have remediated the deficiencies; and
- (f) we are not aware of any fraud involving directors.



GR Dunford

Chief executive

23 February 2024



CV Amoils

Group financial director

23 February 2024

Certificate by the group secretary

In accordance with the provisions of section 88(2)(e) of the Companies Act, I certify that, to the best of my knowledge and belief, the company has filed for the financial year ended 30 November 2023 all such returns and notices as are required of a public company in terms of the said Act, and that all such returns and notices appear to be true, correct and up to date.



Acorim Secretarial and Governance Services

Represented by Ms N Davies

23 February 2024

Directors' report

Reporting period

The directors have pleasure in presenting their report for the company's financial year ended 30 November 2023. The annual financial statements for the year ended 30 November 2023 were authorised for issue in accordance with a resolution of the directors on 23 February 2024. Hudaco Industries Limited is a public company incorporated and domiciled in South Africa whose shares are publicly traded.

The principal activities of the group are described below:

Nature of business

Hudaco Industries is a South African group specialising in the importation and distribution of high-quality branded automotive, industrial and electronic consumable products, mainly in the southern African region.

Hudaco businesses fall into the following categories:

Consumer-related products	Engineering consumables
Supplied to markets with a bias towards consumer spending and generally sold to installers <ul style="list-style-type: none">■ Automotive aftermarket products■ Power tools and fasteners■ Data networking equipment■ Batteries and sustainable energy products■ Security and communication equipment■ Gas and outdoor products	Products generally used in the maintenance of machines and sold mainly to mining and manufacturing customers <ul style="list-style-type: none">■ Bearings, belting and power transmission■ Diesel engines and spares■ Electrical power transmission■ Filtration■ Fire detection, containment and suppression■ Hydraulics and pneumatics■ Specialised steel■ Thermoplastic pipes, fittings and equipment

Hudaco sources branded products, mainly on an exclusive basis, directly from leading international manufacturers and to a lesser extent from local manufacturers. Hudaco seeks out niche areas in markets where customers need, and are prepared to pay for, the value Hudaco adds to the products it distributes.

The value added includes product specification, technical advice, application and installation training and troubleshooting, combined with ready availability at a fair price. The group has a network of specialised branches and independent distributors throughout southern Africa to ensure product availability to its customers.

Financial results

Earnings attributable to equity holders of the parent for the year ended 30 November 2023 were R611 million (2022: R596 million).

The results represent basic earnings per share of 2 142 cents (2022: 2 007 cents). Headline earnings per share were 2 148 cents (2022: 2 007 cents) and comparable earnings per share were 2 148 cents (2022: 1 951 cents).

The results of the company and the group are set out in these financial statements.

Dividends

R million	2023	2022
Dividend number 71 of 625 cents per share declared on 2 February 2023	177	155
The record date was 3 March 2023 and the dividend was paid on 6 March 2023		
Dividend number 72 of 325 cents per share declared on 29 June 2023	92	89
The record date was 11 August 2023 and the dividend was paid on 14 August 2023		

The dividends reflected above are net of the dividends on 2 507 828 shares held by a subsidiary.

On 1 February 2024 the directors declared dividend number 73 of 700 cents per share, being the final dividend in respect of the year ended 30 November 2023. The record date will be Friday, 1 March 2024 and the dividend will be paid on Monday, 4 March 2024.

Acquisition

Brigit Fire

To invest in an industry with growth potential and to further diversify the revenue stream, on 1 September 2023, the group acquired the businesses of Brigit Fire (Proprietary) Limited, Brigit Systems (Proprietary) Limited and Portagas (Proprietary) Limited for a maximum potential consideration of R315 million based on future profits, with an initial payment of R150 million. The remainder of the purchase price is payable in two tranches payable after one and two years respectively, based on actual average levels of profitability achieved in each of those years.

Plasti-Weld

As a bolt-on acquisition for Astore Keymak, Hudaco's thermoplastic pipes and fittings business, the business of Plasti-Weld CC was purchased on 1 December 2023. The final consideration will be determined in February 2025 with a maximum of R56 million, which includes an initial payment of R43 million made in December 2023.

Directors' report continued

Authority to buy back shares

At the forthcoming annual general meeting in March 2024, shareholders will be asked to provide the directors with authority to purchase up to 1 544 799 (5%) of Hudaco's issued shares. If approved, this authority will be valid until the following year's annual general meeting and subject to the Listings Requirements of the JSE Limited, allowing the Hudaco group to purchase its own shares up to 1 544 799 of the issued shares, at a price not greater than 10% above the preceding five-day weighted average.

During the year Hudaco continued to hold indirectly, through a wholly owned subsidiary, a total of 2 507 828 Hudaco shares, representing approximately 8.12% of its issued capital at the date of this report, by way of treasury shares.

Share capital

Authorised

The authorised share capital remained unchanged during the year.

Issued

On 6 and 7 February 2023, the company repurchased a further 695 000 shares at an average price of R159.99, excluding transaction costs, and a total cost of R111.7 million. The buy-back was approved by shareholders at the prior annual general meeting. These shares were delisted and cancelled on 15 February 2023.

Full details of the authorised and issued capital of the company at 30 November 2023 are contained in notes 18.1 and 18.2 to the financial statements.

Share-based remuneration schemes

Full details of the company's share-based remuneration schemes are set out in note 18.6 to the financial statements.

Directorate

Information on the directors of the company in office at the date of this report appears on pages 20 and 21 of the integrated report.

Ernie Smith was appointed alternate director to Louis Meiring on 2 February 2023 and a director in his own right on 1 February 2024. Bukelwa Bulu was appointed a director on 22 June 2023.

Louis Meiring has tendered his resignation to enable him to devote his time to his personal financial interests. His departure date will be no later than 31 March 2024.

In terms of the company's Memorandum of Incorporation, Mark Thompson, Nyami Mandindi and Graham Dunford are required to retire by rotation at the forthcoming annual general meeting. Ernie Smith and Bukelwa Bulu are required to retire at the forthcoming annual general meeting as they were appointed directors since the previous annual general meeting. All these directors are available, eligible and recommended for re-election.

After serving as an independent non-executive director since 2011, Daisy Naidoo will retire from the board following the annual general meeting to be held on 27 March 2024. Although the board is completely satisfied that her independence has not been impaired in any way on account of her tenure, in the interests of being seen to follow principles of good corporate governance, she believes that she should not continue on the board, and we respect her decision. Bukelwa Bulu was appointed to the board in 2023 as part of the succession plan for this eventually.

Directors' interests

The directors' interests in the issued shares of the company are set out in note 26.1.

Details of the executive directors' interests in the performance-based Hudaco share appreciation bonus scheme and retention-based share matching scheme are provided in the implementation of the remuneration policy section of the remuneration report, specifically dealing with executive directors' remuneration as set out on pages 74 to 81.

Directors' remuneration and details of their service agreements

The remuneration of executive and non-executive directors is recommended to the board by the company's remuneration committee.

Further information relating to the remuneration of the directors, together with details relating to the value of share appreciation right and share matching right allocations during the year, are set out in the implementation of the remuneration policy section of the remuneration report, specifically dealing with executive directors' remuneration as set out on pages 74 to 81 and non-executive directors' remuneration on page 82.

Information on the executive directors' service agreements is set out on page 73.

Secretary

Acorim Secretarial and Governance Services, represented by Natasha Davies, is the secretary of the company. The address of the secretary is set out on page 153.

Borrowing powers

The borrowing powers of the Hudaco group are unlimited. At 30 November 2023 unutilised borrowing facilities amounted to R1 055 million (2022: R1 220 million), of which R350 million is uncommitted.

Material risks disclosure

A description of all material risks which are specific to Hudaco Industries and/or the industries in which the company operates is set out on pages 18 to 19. The manner in which the company manages risk is explained on pages 90 to 92.

Social and ethics committee

In compliance with Regulation 43 of the Companies Regulations 2011, the company has a social and ethics committee, comprised of two independent non-executive directors and one executive director. The members during the year were N Mandindi (chairman), D Naidoo and L Meiring (executive director). From 27 March 2024 the members will be N Mandindi (chairman), B Bulu and E Smith (executive director). The activities of the committee are detailed in the corporate governance section, on pages 92 and 93 of the integrated report.

Statement of directors' responsibility

The directors of the company are responsible for the preparation of the annual financial statements and related financial information that fairly present the state of affairs and the results of the company and the group.

The annual financial statements set out in this report have been prepared under the supervision of CV Amoils CA(SA), financial director, in accordance with statements of International Financial Reporting Standards, the financial reporting pronouncements as issued by the Financial Reporting Standards Council, the requirements of the South African Companies Act and the JSE Listings Requirements. These are based on appropriate accounting policies, consistently applied, which are supported by reasonable judgements and estimates.

The external auditors are responsible for carrying out an independent examination of the financial statements in accordance with International Standards on Auditing and reporting their findings thereon. The auditor's report is set out on pages 100 to 103.

To enable the board to meet its responsibilities, systems of internal control and accounting and information systems have been implemented. These are aimed at providing reasonable assurance that risk of error, fraud or loss is reduced. The group's internal audit function, which has unrestricted access to the group's audit and risk management committee, evaluates and, if necessary, recommends improvements to the systems of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business.

The audit and risk management committee, together with the internal auditors, plays an oversight role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

To the best of its knowledge and belief, based on the above and after making enquiries, the board of directors confirms that it has every reason to believe that the company and the group have adequate resources in place to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the annual financial statements. The board of directors further confirms that, to the best of its knowledge and belief, the company is in full compliance with the provisions of the Companies Act No 71 of 2008, as amended, specifically related to its incorporation and that it is operating in conformity with its Memorandum of Incorporation.

The annual financial statements for the year ended 30 November 2023, which appear on pages 104 to 141, were approved by the board on 23 February 2024 and are signed on its behalf by:



SJ Connelly
Chairman

23 February 2024



GR Dunford
Chief executive

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Hudaco Industries Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Hudaco Industries Limited (the Group and Company) set out on pages 104 to 141 and 74 to 82, which comprise the consolidated and separate statements of financial position as at 30 November 2023 and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Hudaco Industries Limited and its subsidiaries as at 30 November 2023, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group	How the matter was addressed in the audit
Valuation of goodwill related to the Eternity Technologies cash generating unit	
<p>IAS 36: Impairment of Assets ("IAS 36") requires an entity to assess at the end of each reporting period whether goodwill and other indefinite life intangible assets are impaired.</p> <p>Management performed the required impairment test on goodwill, as disclosed in note 13 of the consolidated financial statements.</p> <p>The discounted cash flow model used to determine the recoverable amount of the cash generating units (CGUs) is detailed and complex and included the following inputs which are subject to estimation uncertainty and judgment by management:</p>	<p>We evaluated the design and implementation of the control implemented by the directors in the execution of the Group's year-end impairment tests.</p> <p>This control is designed and implemented to ensure the robustness of the key assumptions used in the impairment tests, including detailed scrutiny of operational forecasts by the management team of each cash generating unit.</p> <p>We performed further audit procedures on the following sensitive assumptions in the Eternity Technologies CGU:</p> <ul style="list-style-type: none"> Weighted average cost of capital (WACC)

Key Audit Matter – Group	How the matter was addressed in the audit
<ul style="list-style-type: none"> • revenue growth • working capital growth • pre-tax discount rate • terminal growth rate • operating profit margin <p>Whilst the impairment test for the Eternity Technologies CGU did not result in an impairment, the assessment included sensitive judgements as disclosed in note 13.2, and the relative sensitivity of the outcome of the assessment to movements in the inputs when compared to other CGUs is the main factor resulting in this being regarded as a key audit matter.</p>	<ul style="list-style-type: none"> • Revenue growth rate • Operating profit margin <p>These procedures included the following:</p> <ul style="list-style-type: none"> • comparison to prior performance • comparison to the budget approved by the board • sensitivity analysis of the revenue growth rate, operating profit margin and WACC rate • assessment of growth prospects based on current available asset base • auditing CGU specific adjustments to the WACC from the group determined WACC <p>With respect to the impairment models, we utilised internal valuation specialists on the audit team to assist with:</p> <ul style="list-style-type: none"> • auditing and challenging the Hudaco group WACC used by comparing key inputs to external market data, industry practice and relevant industry data published by specialist agencies • auditing and challenging the cost of debt and equity utilised in the WACC calculation. <p>We performed the following procedures on the construct of management’s impairment models:</p> <ul style="list-style-type: none"> • assessing the construct of the 5-year discounted cash flow valuation model, to ensure that it complied with the requirements of IAS 36 • testing the mathematical integrity and formulas in the model <p>We considered the disclosure in note 13 against the requirements of IAS 36.</p> <p>Based on our procedures performed, the significant judgements and inputs used in the estimations and related disclosures appear appropriate.</p>

We do not have a key audit matter to report for the Company.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled “Hudaco Integrated Report 2023”, which includes the Group Overview, Review of operations, Environmental, social and governance report, Human capital report, Remuneration report, Corporate governance report, Audit and risk management committee’s report, Group chief executive’s and group financial director’s responsibility statement, Certificate by the group secretary, and Shareholder information which we obtained prior to the date of this report. The other information does not include the consolidated and separate financial statements and our auditor’s report thereon.

Independent auditor's report continued

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and / or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

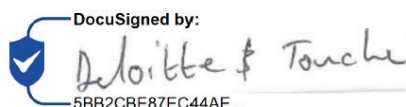
We communicate with the Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit and Risk Management Committee, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Hudaco Industries Limited for two years.



Deloitte & Touche

Registered Auditor

Per: PWM van Zijl

Partner

23 February 2024

5 Magwa Crescent, Waterfall City, 2090, South Africa

Group statement of comprehensive income

for the year ended 30 November 2023

R000	Notes	2023	2022
Turnover	5	8 896 563	8 151 403
– Ongoing operations		8 471 711	7 915 975
– Acquisition		424 852	235 428
Cost of sales		(5 693 784)	(5 159 718)
Gross profit		3 202 779	2 991 685
Other income – proceeds from insurance claims			27 210
(Increase) decrease in expected credit losses		(19 708)	2 686
Operating expenses	6	(2 111 924)	(2 002 463)
Operating profit before fair value adjustments		1 071 147	1 019 118
– Ongoing operations		1 011 087	991 829
– Acquisition		60 060	27 289
Loss on disposal of business		(2 703)	
Fair value adjustments	7	(3 892)	(1 111)
Profit before interest		1 064 552	1 018 007
Interest on lease liabilities	19.3	(37 797)	(29 293)
Finance costs		(112 321)	(57 350)
Profit before taxation		914 434	931 364
Taxation	9	(245 051)	(256 687)
Profit for the year		669 383	674 677
Other comprehensive income that will subsequently be reclassified to profit or loss		34 065	18 314
Profit on fair value of cash flow hedges – current year		38 202	13 924
Tax effect of the above	15.2	(4 120)	2 950
Exchange (loss) gain on translation of foreign operations		(17)	1 440
Total comprehensive income for the year		703 448	692 991
Profit attributable to:			
– Equity holders of the parent		610 808	596 267
– Non-controlling shareholders	18.5	58 575	78 410
		669 383	674 677
Total comprehensive income attributable to:			
– Equity holders of the parent		644 133	611 215
– Non-controlling shareholders	18.5	59 315	81 776
		703 448	692 991
Basic earnings per share (cents)	10	2 142	2 007
Diluted earnings per share (cents)	10	2 067	1 927

Group statement of financial position

at 30 November 2023

R000	Notes	2023	2022
Assets			
Non-current assets		2 228 896	1 993 686
Property, plant and equipment	11	362 439	309 155
Right-of-use assets	12	406 393	382 166
Goodwill	13	1 285 385	1 182 116
Intangible assets	14	131 789	38 522
Deferred taxation	15	42 890	81 727
Current assets		4 427 606	3 948 741
Inventories	16	2 693 350	2 355 407
Trade and other receivables	17	1 489 268	1 365 794
Taxation			899
Bank deposits and balances	22.7	244 988	226 641
Total assets		6 656 502	5 942 427
Equity and liabilities			
Equity		3 481 179	3 254 387
Equity holders of the parent		3 284 874	3 096 263
Non-controlling interest	18.5	196 305	158 124
Non-current liabilities		1 601 470	1 081 103
Amounts due to bankers	19.1	1 150 000	750 000
Amounts due to vendors of businesses acquired	19.2	82 480	
Lease liabilities	19.3	360 757	330 584
Deferred taxation	15	8 233	519
Current liabilities		1 574 095	1 606 937
Trade and other payables	20	1 277 570	1 321 658
Bank overdraft	22.7	107 580	97 855
Amounts due to vendors of businesses acquired	19.2	53 044	23 667
Lease liabilities	19.3	109 513	110 202
Taxation		26 146	53 555
Total equity and liabilities		6 656 502	5 942 427

Group statement of cash flows

for the year ended 30 November 2023

R000	Notes	2023	2022
Cash flow from operating activities			
Operating profit before fair value adjustments		1 071 147	1 019 118
<i>Adjusted for non-cash items:</i>			
– Equity-settled share-based payments	18.6	48 867	55 762
– Depreciation and profit on disposal of plant and equipment	6, 11	51 964	48 503
– Depreciation and profit on remeasurement of right-of-use assets	6, 12	111 060	118 402
– Amortisation and loss on scrapping of intangible assets	6, 14	10 889	7 070
Increase in working capital	22.1	(392 278)	(355 428)
Cash generated from operations		901 649	893 427
Taxation paid	22.2	(259 867)	(244 018)
Net cash from operating activities		641 782	649 409
Cash flow from investing activities			
Additions to property, plant and equipment	11, 15	(105 229)	(78 072)
Additions to intangible assets	14	(7 744)	(5 816)
Proceeds from disposal of property, plant and equipment		9 182	7 687
Acquisition of businesses	22.3	(146 789)	(80 942)
Decrease in amounts owed by non-controlling shareholders			145
Payments to vendors of businesses acquired	22.5	(24 248)	
Net cash from investing activities		(274 828)	(156 998)
Cash flow from financing activities			
Advances from non-current amounts due to bankers		400 000	400 000
Repayment of non-current amounts due to bankers			(280 000)
Share-based payments settled		(100 593)	(35 587)
Repurchase of shares		(111 699)	(133 202)
Repayment of lease liabilities (rent paid)	19.3	(143 600)	(143 700)
– Capital		(105 803)	(114 407)
– Interest		(37 797)	(29 293)
Finance costs paid		(112 321)	(57 350)
Dividends paid	22.6	(290 287)	(276 398)
Net cash from financing activities		(358 500)	(526 237)
Increase (decrease) in net bank balances		8 454	(33 826)
Foreign exchange translation gain		168	1 280
Net bank balances at the beginning of the year		128 786	161 332
Net bank balances at the end of the year	22.7	137 408	128 786

Group statement of changes in equity

for the year ended 30 November 2023

R000	Share capital	Non-distributable reserves	Retained income	Equity holders of the parent	Non-controlling interest	Equity
Note	18.2	18.4			18.5	
Balance at 1 December 2021	3 252	136 399	2 742 552	2 882 203	112 707	2 994 910
Repurchase of shares	(93)		(133 109)	(133 202)		(133 202)
Advances to non-controlling shareholders					145	145
Transfer to cost of inventory		(21 424)		(21 424)	(4 104)	(25 528)
Comprehensive income for the year		14 948	596 267	611 215	81 776	692 991
Movement in equity compensation reserve		28 308	(8 133)	20 175		20 175
Dividends (note 21)			(243 998)	(243 998)	(32 400)	(276 398)
Balance at 30 November 2022	3 159	158 231	2 953 579	3 114 969	158 124	3 273 093
Less: Shares held by subsidiary company	(251)	(41)	(18 414)	(18 706)		(18 706)
Net balance at 30 November 2022	2 908	158 190	2 935 165	3 096 263	158 124	3 254 387
Balance at 1 December 2022	3 159	158 231	2 953 579	3 114 969	158 124	3 273 093
Repurchase of shares	(70)		(111 629)	(111 699)		(111 699)
Transfer to cost of inventory		(22 410)		(22 410)	(534)	(22 944)
Comprehensive income for the year		33 325	610 808	644 133	59 315	703 448
Movement in equity compensation reserve		(3 396)	(48 330)	(51 726)		(51 726)
Dividends (note 21)			(269 687)	(269 687)	(20 600)	(290 287)
Balance at 30 November 2023	3 089	165 750	3 134 741	3 303 580	196 305	3 499 885
Less: Shares held by subsidiary company	(251)	(41)	(18 414)	(18 706)		(18 706)
Net balance at 30 November 2023	2 838	165 709	3 116 327	3 284 874	196 305	3 481 179

Notes to the annual financial statements

for the year ended 30 November 2023

1. Accounting policies

1.1 Basis of preparation

The group and company annual financial statements are prepared on the historical cost basis adjusted for certain financial instruments measured at fair value, and incorporate the following principal accounting policies, which conform with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the financial reporting pronouncements as issued by the Financial Reporting Standards Council and the requirements of the South African Companies Act and the JSE Listings Requirements. Except for the adoption of amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 as part of the IBOR reform project phase 2, the group did not change any accounting policies or adopt any new accounting standards during the year. This had no impact on the financial statements of the group.

1.2 Basis of consolidation

The group financial statements incorporate all the assets, liabilities and results of the company and all entities that are controlled by the company. In all cases results are reported from the effective date of acquisition to the effective date of disposal using the acquisition method.

The company controls an entity when it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity.

Non-controlling interests in the net assets of consolidated entities are identified and recognised separately from the group's interest therein, and are recognised within equity on a proportionate share basis.

1.3 Business combinations

The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition date fair values in terms of IFRS 3.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of:

- fair value of consideration transferred;
- the recognised amount of any non-controlling interest in the acquiree; and
- acquisition date fair value of any existing equity interest in the acquiree, over the acquisition date fair values of identifiable net assets.

If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at the acquisition date.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be a liability, is recognised in accordance with IFRS 9 in profit or loss.

1.4 Revenue

The group's revenue is predominantly derived from the sale of products and related services of high-quality branded engineering consumables and consumer-related products, overwhelmingly in South Africa. A small portion of its revenue is earned over time.

Revenue from contracts with customers for the supply of goods at a point in time is recognised when the performance obligation is satisfied. Generally this means that the customer has taken undisputed delivery of goods and that all risks and rewards have been transferred to the customer. Revenue from contracts with customers for the supply of goods is recognised over time where there is no alternative use to the group and the group has an enforceable right to payment for performance completed to date. The contracts embody a single performance obligation and are measured on the percentage of completion method, as this is deemed the most appropriate. Revenue from contracts with customers to provide services to customers is recognised when the performance obligation is satisfied and could be over time as the services are rendered or at a point in time upon completion of the services.

Generally, customers are permitted to return faulty goods under the standard warranty terms. The warranties provide assurance that the goods are functioning as expected and they run for periods relevant to the nature of the product. Incidence of warranty claims is very low and in most cases responsibility for redress lies with the supplier. The group raises a warranty provision in terms of IAS 37 but the amount thereof is insignificant. In some businesses customers have a short-term right of return for credit but there is little usage thereof.

As the period of time between customer payment and performance will always be one year or less, the company applies the practical expedient and does not adjust the promised amount of consideration for the effects of financing. Overwhelmingly, the group sells on credit with terms ranging from 30 days to 90 days but there is also an element of cash sales.

1.5 Income from investments

In the company, dividend income from investments is recognised when the shareholder's right to receive payment has been established. Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

1.6 Other income

Other income is recognised when the group's right to receive payment has been established.

1.7 Cost of sales

When inventories are sold, the carrying amount is recognised as part of cost of sales. Any write-down of inventories to net realisable value and all losses of inventories or reversals of previous write-downs or losses are recognised in cost of sales in the period the write-down, loss or reversal occurs.

1.8 Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses and non-monetary benefits such as medical care) is recognised in the period in which the service is rendered and is not discounted.

The expected cost of incentive payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.9 Lease liabilities

The group assesses whether a contract is or contains a lease based on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. At inception or on reassessment of a contract that contains a lease component, the group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

The company applies the short-term lease recognition exemption to its short-term leases of buildings (ie, those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value (<R100 000 per item). Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

At the commencement date of a lease, the group recognises a lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentive receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees and payments of penalties for terminating a lease, if the lease term reflects the group exercising the option to terminate.

After the commencement date, the amount of the lease liabilities is increased to show the accretion of interest and reduced for the lease payments made. The carrying amount of the lease liabilities is also remeasured if there is a modification, a change in the lease payments or a change in the lease term.

1.10 Share-based payments

The group operates equity-settled share-based compensation plans for senior and middle management including executive directors. The costs of these arrangements are measured by reference to their fair value at the dates on which they were granted. The fair values are charged as an expense in determining operating profit, with a corresponding credit to equity, on a straight-line basis over the initial vesting period of each grant. The costs take into account the best estimate of the number of rights that are expected to vest, taking into account non-market conditions such as exits from the schemes prior to vesting and operating performance compared to targets for vesting, where applicable. These estimates are revised at each reporting date and the impact of the revision is to spread the new estimated remaining cost over the balance of the vesting periods, including the current year. All differences between these recognised expenses and the actual payments on the exercise of these rights as well as the excess, if any, of any taxation benefit of the cash settlement over the equity accrual, are accounted for directly in retained earnings.

1.11 Retirement benefits

Defined contribution pension or provident schemes are operated by all group companies. Contributions made to these schemes are charged to profit or loss in the year in which they are payable.

By virtue of the types of schemes operated in the group, no past service costs or experience adjustments will arise in the retirement funding arrangements.

1.12 Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred, except where capitalisation is required in terms of IAS 23.

Notes to the annual financial statements continued

for the year ended 30 November 2023

1. Accounting policies *continued*

1.13 Current taxation

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income as it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's tax liability is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

1.14 Property, plant and equipment

Buildings, plant and equipment are carried at cost less accumulated depreciation and impairment. They are depreciated on a straight-line basis to their expected residual values over their estimated useful lives. Both their residual values and useful lives (note 11) are reassessed annually. Land is stated at cost to the group.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised.

1.15 Right-of-use assets

Right-of-use assets are presented on the statement of financial position and are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. Depreciation starts at the commencement date of a lease and the charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Initial measurement is at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

1.16 Investments in subsidiaries

In the company financial statements, investments in subsidiaries are carried at cost less accumulated impairments, if any. The cost of the investment in a subsidiary is the aggregate of the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the company.

1.17 Goodwill

Goodwill is initially measured and carried at cost. It represents the excess of the purchase consideration over the fair value of the group's share of the net fair value of identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of acquisition. Goodwill is reviewed for impairment at least annually. Any impairment is immediately recognised as an expense and not reversed in future periods.

1.18 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance and is initially recognised at fair value if acquired as part of a business combination and at cost if acquired separately.

If assessed as having a finite life, it is amortised over its useful life using the straight-line basis and tested for impairment if there is an indication that it may be impaired. Useful lives (note 14) are reassessed annually. Indefinite life intangible assets are tested for impairment annually.

Intangible assets that are fully amortised and are no longer in use are derecognised.

1.19 Deferred tax

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which these unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

1.20 Inventories

Inventories are valued at the lower of cost and net realisable value. The basis of determining cost is first-in-first-out or weighted average, and includes direct costs and where applicable, a proportion of manufacturing overheads. Each business unit applies one of these bases consistently from year to year.

1.21 Financial instruments

Financial instruments are initially measured at fair value when the related contractual rights or obligations arise. Subsequent to initial recognition these instruments are measured as follows:

- Trade and other receivables are stated at amortised cost less allowance for expected credit loss. Receivables are considered to be in default when they are in breach of their agreed credit terms and are written off when management considers the recoverability of the outstanding balance to be highly unlikely. The group and the company apply the IFRS 9 simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for trade receivables.
- Cash and cash equivalents are measured at amortised cost less allowance for expected credit loss.
- Financial liabilities – non-derivative financial liabilities are measured at amortised cost, comprising net proceeds from original debt less principal payments.
- Financial liabilities – amounts due to vendors of businesses acquired are measured at fair value through profit or loss.
- Derivative instruments, including forward exchange contracts, are measured at fair value.
- Intercompany loans are stated at amortised cost less allowance for expected credit loss. The general model applies to intercompany loans. In terms of the general model, a loss allowance for lifetime expected credit losses (ECL) is recognised for an intercompany loan if there has been a significant increase in credit risk since initial recognition. When determining whether the credit risk of an intercompany loan has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and forward-looking information.

Hedge accounting transactions are classified into two categories:

- Fair value hedges, which hedge exposure to changes in the fair value of a recognised asset or liability, ie forward exchange contracts in respect of foreign trade liabilities.
- Cash flow hedges, which hedge exposure to variability in future cash flows attributable to forecasted transactions, ie forward exchange contracts in respect of orders placed with foreign suppliers but not yet shipped.

Gains or losses on subsequent measurements are treated as follows:

- Any gains or losses on fair value hedges are recognised in profit or loss for the year.
- Gains or losses on effective cash flow hedges are recognised in other comprehensive income. These gains or losses are recycled to profit or loss in the same period in which the hedged future transaction occurs and impacts profit or loss.
- The ineffective portion of any cash flow hedge is recognised in profit or loss for the year.
- Gains or losses from a change in the fair value of financial instruments that are not part of a hedging relationship are included in profit or loss for the period in which they arise.

1.22 Impairment

On an annual basis the group reviews goodwill carried on the statement of financial position for impairment and all tangible assets and definite life intangible assets for indicators of impairment. Where the recoverable amount of an asset or cash-generating unit is estimated to be lower than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are charged against profit or loss in the period in which they are identified.

Except in the case of goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount. Such increases in carrying amounts shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss in the period in which such reversal is identified.

Notes to the annual financial statements continued

for the year ended 30 November 2023

1. Accounting policies *continued*

1.23 Foreign currency transactions

The functional and presentation currency of all the entities in the group is Rand, except for the foreign operations in Botswana, Kenya, Namibia, UK, USA and Zambia.

Transactions in foreign currencies are initially recorded in the functional currency of the operation concerned at the exchange rate ruling at the date of the transaction.

All assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate ruling at the reporting date.

Exchange differences arising on the settlement of transactions at rates different from those at the transaction date, and unrealised exchange differences on unsettled foreign currency monetary assets and liabilities, are recognised in profit or loss for the year.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Rand at the appropriate exchange rate at the reporting dates. The income and expenses of foreign operations are translated to Rand at exchange rates at the dates of the transactions.

Foreign currency differences relating to foreign operations are recognised directly in equity in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

1.24 Contingencies

Contingent assets and liabilities that do not form part of a business combination are not recognised, but are disclosed in the notes to the financial statements.

1.25 Segment reporting

Hudaco's businesses have been divided into two primary reportable segments serving distinct markets. Hudaco's reportable segment information differentiates between consumer-related products, which markets are influenced mainly by consumer spending, and engineering consumables, which markets are influenced mainly by mining and manufacturing customers. These operations are monitored by the individuals as set out on pages 22 and 23.

The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its financial statements. Corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment. In the financial period under review, this primarily applies to the group's headquarters.

2. Use of estimates, judgements and assumptions made in the preparation of the financial statements

Significant estimates and judgements are made in the following areas:

- Right-of-use assets – incremental borrowing rate, reasonable certainty of renewal option exercise – note 12
- Impairment of goodwill – future cash flows and determining the discount rate – note 13
- Inventories – allowance for slow-moving and obsolete inventory – note 16
- Trade and other receivables – allowance for expected credit loss – note 17
- Control assessment over subsidiary – note 18.5
- Fair value of share-based payments – estimate of the fair value of share rights – note 18.6
- Value of vendor liabilities – amount and timing of contingent consideration – note 19.2
- Lease liabilities – incremental borrowing rate, reasonable certainty of renewal option exercise – note 19.3

Actual results could differ from the estimates made by management from time to time.

3. Changes in accounting policies

Except for the adoption of amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 as part of the IBOR reform project phase 2, the group did not change any accounting policies or adopt any new accounting standards during the year. This had no impact on the financial statements of the group.

4. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the group. Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new amendments that are expected to be relevant to the group's financial statements, is provided below. These amendments are not expected to have any material impact on the group's financial statements.

Standard	Details of amendments	Effective date
		Annual periods beginning on or after
IAS 1 <i>Presentation of Financial Statements</i>	<ul style="list-style-type: none"> ■ Classification of Liabilities as Current or Non-current: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current. 	1 January 2023
(Amendment – <i>Classification of Liabilities as Current or Non-Current</i>)	<ul style="list-style-type: none"> ■ In January 2020, the IASB issued amendments to IAS 1, which clarify how an entity classifies liabilities as current or non-current. The amendments initially had an effective date of 1 January 2022, however, in July 2020 this was deferred until 1 January 2023 as a result of the Covid-19 pandemic. ■ At the IFRS Interpretations Committee's December meeting, the Committee discussed the amendments due to feedback from stakeholders which indicated that the requirements of the amendments may be unclear. ■ These amendments are expected to have a significant impact on many entities, with more liabilities being classified as current, particularly those with covenants relating to borrowings. 	1 January 2023
(Amendment – <i>Disclosure of Accounting Policies</i>)	<ul style="list-style-type: none"> ■ The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material. 	1 January 2023
IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> (Amendment – <i>Definition of Accounting Estimates</i>)	<ul style="list-style-type: none"> ■ The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimate with a new definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The requirements for recognising the effect of a change in accounting estimate prospectively remain unchanged. 	1 January 2023
IAS 12 <i>Income Taxes</i> (Amendment – <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>)	<ul style="list-style-type: none"> ■ The amendment specifies how companies should account for deferred tax related to assets and liabilities arising from a single transaction such as leases and decommissioning obligations. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which companies recognise both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. 	1 January 2023
IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i>	<ul style="list-style-type: none"> ■ <i>Lack of Exchangeability:</i> The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. 	1 January 2025

Notes to the annual financial statements continued

for the year ended 30 November 2023

R000	2023	2022
5. Revenue		
Turnover comprises		
Revenue from contracts with customers		
Sales of products	8 673 024	7 895 016
Rendering of services	223 539	256 387
	8 896 563	8 151 403
Timing of revenue recognition		
Goods and services transferred at a point in time	8 731 908	7 976 196
Goods and services transferred over time ⁽¹⁾	164 655	175 207
	8 896 563	8 151 403
⁽¹⁾ The remaining transaction price allocated to unsatisfied performance obligations will be satisfied within one year.		
Geographical disaggregation		
Goods and services sold in South Africa	8 053 964	7 348 687
Goods and services sold outside South Africa	842 599	802 716
	8 896 563	8 151 403
Refer to note 27 for further disaggregation of turnover.		
6. Operating expenses		
Operating expenses comprise		
Employee-related expenses	1 480 752	1 423 512
Property rentals under short-term operating leases	14 002	12 132
Depreciation – property, plant and equipment	53 628	49 039
Depreciation – right-of-use assets	112 218	118 402
Amortisation – intangible assets	10 418	6 989
Profit on disposal and scrapping of plant and equipment	(1 664)	(536)
Profit on remeasurement of right-of-use assets	(1 158)	
Loss on scrapping of intangible assets	471	81
Acquisition costs – new businesses	1 333	389
Other expenses – including non-executive directors' fees	697 866	628 742
Allocated to cost of sales	(255 942)	(236 287)
	2 111 924	2 002 463

7. Fair value adjustments**Fair value of amounts due to vendors of businesses acquired**

Adjustment for time-value of money	(3 892)	(1 111)
	(3 892)	(1 111)

8. Auditor's remuneration

Audit fees – current year	13 623	11 500
– prior year	409	
	14 032	11 500

9. Taxation**9.1 Taxation comprises**

South African normal taxation		
Current year	228 110	266 104
Prior years over provision	(883)	(5 726)
Deferred taxation		
Current year	10 170	(13 023)
Prior years under provision	1 524	2 440
Rate change		2 712
Foreign normal taxation	6 130	4 180
	245 051	256 687

9.2 Reconciliation of rate of taxation

	%	%
Normal rate	27.0	28.0
Non-deductible holding company and other expenses	0.5	0.2
Prior year under (over) provision	0.1	(0.4)
Rate differential	(0.1)	0.1
Non-taxable income	(0.1)	
Learnership allowances	(0.6)	(0.6)
Rate change		0.3
	26.8	27.6

Notes to the annual financial statements continued

for the year ended 30 November 2023

R000	2023	2022
10. Earnings, headline earnings and comparable earnings per share		
Calculation of headline earnings		
Profit attributable to equity holders of the parent	610 808	596 267
<i>Adjusted for:</i>		
Loss on disposal of business	2 703	
Tax effect	260	
Non-controlling interest	(445)	
Profit on disposal of plant, equipment and intangible assets	(1 193)	(455)
Tax effect	322	127
Non-controlling interest	113	67
Headline earnings	612 568	596 006
Calculation of comparable earnings		
Headline earnings as per above	612 568	596 006
<i>Adjusted for:</i>		
Other income – proceeds from insurance claims		(27 210)
Tax effect		7 619
Non-controlling interest		2 938
Comparable earnings (Non-IFRS measure)	612 568	579 353
Earnings per share (cents)		
Basic	2 142	2 007
Diluted basic	2 067	1 927
Headline	2 148	2 007
Diluted headline	2 073	1 926
Comparable	2 148	1 951
Diluted comparable	2 073	1 873

The calculation of comparable, headline and basic earnings per share is based on comparable earnings, headline earnings and earnings attributable to equity holders of the parent, divided by the weighted average of 28 518 810 (2022: 29 701 901) shares in issue during the year, taking account of shares held by a subsidiary.

Comparable earnings and comparable earnings per share are calculated, as the directors of the company believe these are more reliable measures of the ongoing trading performance of the group.

The calculation of diluted earnings per share is based on 29 549 258 (2022: 30 938 436) shares, being the weighted average number of shares in issue of 28 518 810 (2022: 29 701 901) plus 1 030 448 (2022: 1 236 446) deemed free issue shares. This assumes that any bonus due in terms of the share appreciation bonus scheme and share matching scheme is settled in shares at the year-end price of R163.20 (2022: R140.00) per share. The number of deemed free issue shares is the difference between the number of shares assumed to have been taken up and the number of shares that could have been acquired with such proceeds less the future IFRS 2 charge on the unvested rights, at the average market price per share.

11. Property, plant and equipment

R000	Freehold land	Buildings	Plant	Computer hardware	Motor vehicles	Other assets	2023 Total
Cost							
Opening balance	19 037	77 205	280 216	74 129	144 757	80 277	675 621
Reclassification			252	(107)		(145)	
Derecognised/scrapped			(351)	(1 778)		(2 496)	(4 625)
Exchange differences			283	76	(149)	(19)	191
Acquisition of business			1 856	331	1 834	130	4 151
Additions		38 075	26 795	10 878	23 109	11 679	110 536
Disposal of business			(1 575)	(37)		(42)	(1 654)
Disposals			(14 073)	(5 522)	(12 894)	(5 935)	(38 424)
Closing balance	19 037	115 280	293 403	77 970	156 657	83 449	745 796
Accumulated depreciation							
Opening balance		21 280	156 360	53 937	79 241	55 648	366 466
Reclassification			64	(44)		(20)	
Derecognised/scrapped			(351)	(1 778)		(2 496)	(4 625)
Exchange differences			232	70	(90)	(7)	205
Depreciation for the year		2 425	18 923	9 516	14 501	8 263	53 628
Disposal of business			(1 343)	(28)		(40)	(1 411)
Disposals			(9 959)	(4 987)	(10 461)	(5 499)	(30 906)
Closing balance		23 705	163 926	56 686	83 191	55 849	383 357
Net book value	19 037	91 575	129 477	21 284	73 466	27 600	362 439
R000	Freehold land	Buildings	Plant	Computer hardware	Motor vehicles	Other assets	2022 Total
Cost							
Opening balance	19 037	73 826	269 437	72 309	138 118	81 332	654 059
Derecognised/scrapped			(11 118)	(3 507)	(1 318)	(1 714)	(17 657)
Exchange differences			(5)	(76)	61	10	(10)
Acquisition of business			1 414	271	191	1 052	2 928
Additions		3 379	29 586	12 320	24 893	7 894	78 072
Disposals			(9 098)	(7 188)	(17 188)	(8 297)	(41 771)
Closing balance	19 037	77 205	280 216	74 129	144 757	80 277	675 621
Accumulated depreciation							
Opening balance		19 219	157 920	55 328	80 394	56 575	369 436
Derecognised/scrapped			(10 682)	(3 507)	(1 318)	(1 714)	(17 221)
Exchange differences			(14)	(100)	45	(2)	(71)
Acquisition of business			93	13	52	181	339
Depreciation for the year		2 061	16 995	8 803	13 636	7 544	49 039
Disposals			(7 952)	(6 600)	(13 568)	(6 936)	(35 056)
Closing balance		21 280	156 360	53 937	79 241	55 648	366 466
Net book value	19 037	55 925	123 856	20 192	65 516	24 629	309 155
The initial expected useful lives are set within these ranges (years):							
		20 – 40	3 – 25	3 – 6	3 – 10	3 – 15	
The remaining useful lives are set within these ranges (years):							
		11 – 39	1 – 20	1 – 5	1 – 8	1 – 15	

As the residual values and remaining useful lives are reassessed on an annual basis, there are assets outside these ranges. Details of freehold land and buildings are available at the registered office of the group.

Notes to the annual financial statements continued

for the year ended 30 November 2023

R000	2023	2022
12. Right-of-use assets		
Cost – Buildings		
Opening balance	675 471	628 736
Derecognised	(15 865)	(31 771)
Effect of reassessment of the probability that options to renew will be exercised	78 849	38 312
Acquisition		3 464
Leases concluded during the year	57 596	36 730
Closing balance	796 051	675 471
Accumulated depreciation – Buildings		
Opening balance	293 305	206 674
Derecognised	(15 865)	(31 771)
Depreciation for the year – note 6	112 218	118 402
Closing balance	389 658	293 305
Net book value	406 393	382 166
The disclosure of the lease liabilities in respect of these assets is in note 19.3.		
13. Goodwill		
13.1 Goodwill comprises:		
Goodwill at cost	1 685 730	1 582 461
Accumulated impairment	(400 345)	(400 345)
	1 285 385	1 182 116
13.2 Movement for the year		
Balance at the beginning of the year	1 182 116	1 170 294
Acquisition during the year	100 936	11 822
Finalisation of purchase price allocation	6 000	
Derecognition due to sale of business	(3 667)	
	1 285 385	1 182 116
The net book value of goodwill is attributable to the following cash-generating units (CGUs):		
Partquip	249 747	249 747
Filter and Hose Solutions	226 784	226 784
MiRO	171 069	171 069
Eternity Technologies	157 838	157 838
Brigit Fire	100 936	
Rutherford – Boltworld	66 016	66 016
Joseph Grieveson	55 834	55 834
The Dished End Company	51 212	51 212
Dosco Precision Hydraulics	40 932	40 932
Astore Keymak	24 397	24 397
Hydraulic Engineering Repair Services	22 850	22 850
Gear Pump Manufacturing	21 011	21 011
Specialised Battery Systems	14 955	14 955
Abes Technoseal	14 435	14 435
CADAC	17 822	11 822
Varispeed	11 586	11 586
Three-D Agencies	9 968	9 968
Deltec	8 114	8 114
Brewtech Engineering	7 389	7 389
Powermite group	1 568	5 235
Ironman 4X4	3 400	3 400
Other	7 522	7 522
	1 285 385	1 182 116

13. Goodwill continued

Goodwill arises on acquisitions because the cost of acquisitions includes amounts that are not recognised separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets. These include premiums paid for control, amounts in relation to the benefit of expected synergies, revenue growth, future market development and diversification of revenue streams.

Goodwill arising in business combinations is allocated, at acquisition, to the CGUs acquired and those expected to benefit from that business combination. The group tests goodwill for impairment at least annually by estimating the recoverable amount of any CGU to which goodwill has been allocated. The recoverable amount of all significant amounts of goodwill are estimated by using the higher of the value-in-use method and the fair value less cost to sell. During the current year, all recoverable amounts were based on value-in-use.

A discounted cash flow valuation model is applied using five-year forecasts with terminal values, as all CGUs have an expected life beyond five years. Detailed budgets, prepared by the management of the CGU and approved by the Hudaco board, are used to determine the cash flow for the first year and are the quantification of strategies of the specific CGU. The process ensures that any significant risks and sensitivities are appropriately considered and factored into these forecasts. Key assumptions are based on industry-specific performance levels as well as economic indicators, especially forecast consumer price index increases, approved by the executive and their impact on turnover and operating margins. Assumptions are generally consistent with external sources of information and with past experience of the impact thereof on the group's cash flow. In the absence of specific factors or strategies that may be expected to have a significant impact on margins, it is assumed that these will remain unchanged from those of recent years.

Cash flows for the second and third years are forecast by applying individual estimated sustainable levels of growth for the specific businesses, taking into account the drivers of the economic sectors in which they operate and their expected impact on turnover and margins, their business strategies and the risks they face. For the fourth and fifth years and terminal value, cash flows are determined by using estimated sustainable growth levels of turnover for CGUs ranging from 5% to 8% and 5% (2022: 5% to 9% and 5%) per annum, respectively, which rates are considered reasonable in the context of the industries in which they operate. Beyond the short-term, they are derived from the use of a common forecasting process followed across the group.

Discount rates applied to cash flow projections are based on a South African specific pre-tax weighted average cost of capital (WACC), which takes into account appropriate risk-free rates adjusted for market risk, company-specific risk, cost of debt and the relevant weighting between debt and equity. The WACC applied to CGUs ranges from 18.0% to 25.4% (2022: 20.9% to 24.9%). The movement in WACC from the previous year is mainly attributable to changes in the cost of debt, the beta and the debt weighting.

With the exception of Eternity Technologies, the calculated goodwill of all the other CGUs are well above the carrying values and would only be subject to an impairment if the assumptions are materially wrong. Should the WACC for Eternity increase by 0.3% then there would be an impairment to the goodwill. The two other main factors affecting the calculated goodwill of Eternity are revenue growth and profit margin. Should the forecast revenue growth decrease by more than 0.6% each year for the next five years, or the terminal profitability decrease by more than 0.4%, there would be a risk of impairment.

The recoverable amounts for the goodwill of the most significant CGUs have been determined by using the following main inputs:

	Revenue growth (%)		Working capital growth (%)		Pre-tax discount rate (%)		Terminal growth rate (%)	
	2023	2022	2023	2022	2023	2022	2023	2022
Partquip	5 – 11	5 – 12	1 – 7	4 – 7	21.3	20.9	5.0	5.0
Filter and Hose Solutions	5 – 10	5 – 10	5 – 16	5 – 28	18.0	21.9	5.0	5.0
MiRO	5 – 11	5 – 10	1 – 7	-8 – 7	24.5	24.2	5.0	5.0
Eternity Technologies	5 – 17	5 – 29	5 – 22	-5 – 20	23.9	23.0	5.0	5.0

In the current year, the recoverable amounts determined for goodwill exceed the carrying values thereof.

Notes to the annual financial statements continued

for the year ended 30 November 2023

14. Intangible assets

R000	Customer relationships	Trade names	Computer software	2023 Total
Cost				
Opening balance	3 819	11 452	65 151	80 422
Derecognised	(1 281)		(5 883)	(7 164)
Acquisition of new business	74 201	22 211		96 412
Additions			7 744	7 744
Scrapping			(957)	(957)
Closing balance	76 739	33 663	66 055	176 457
Accumulated amortisation				
Opening balance	1 391	640	39 869	41 900
Derecognised	(1 281)		(5 883)	(7 164)
Scrapping			(486)	(486)
Amortisation for the year	2 189	853	7 376	10 418
Closing balance	2 299	1 493	40 876	44 668
Net book value	74 440	32 170	25 179	131 789

R000	Customer relationships	Trade names	Computer software	2022 Total
Cost				
Opening balance	7 748		66 754	74 502
Derecognised	(6 467)		(3 854)	(10 321)
Acquisition of new business	2 538	11 452		13 990
Additions			5 816	5 816
Scrapping			(3 565)	(3 565)
Closing balance	3 819	11 452	65 151	80 422
Accumulated amortisation				
Opening balance	6 539		42 177	48 716
Derecognised	(6 467)		(3 854)	(10 321)
Scrapping			(3 484)	(3 484)
Amortisation for the year	1 319	640	5 030	6 989
Closing balance	1 391	640	39 869	41 900
Net book value	2 428	10 812	25 282	38 522

The initial expected useful lives are set within these ranges (years):

10 3 – Indefinite 2 – 25

The remaining useful lives are set within these ranges (years):

8 – 9 1 – Indefinite 1 – 8

The costs attributable to intangible assets that were acquired as part of the acquisition of a business and the annual impairment reviews have been determined by valuation specialists and management, applying recognised valuation techniques and exercising judgement on the same basis as for goodwill, as described in note 13.

15. Deferred taxation

15.1 Deferred taxation comprises temporary differences arising from:

Capital allowances	(34 406)	(28 305)
Amounts due to vendors	(5 450)	(155)
Intangible assets	(25 533)	(7 819)
Right-of-use assets	(109 278)	(102 487)
Lease liabilities	126 438	118 207
Allowance for expected credit loss	11 456	10 389
Leave pay, bonus accruals and share-based payments	71 821	86 334
Fair value of cash flow hedges	(1 171)	2 949
Other	780	2 095
Net deferred taxation asset	34 657	81 208
Deferred taxation is reflected on the group statement of financial position as follows:		
Deferred tax assets	42 890	81 727
Deferred tax liabilities	(8 233)	(519)
	34 657	81 208

The deferred tax asset has been raised as it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

15.2 Movement for the year

Balance at the beginning of the year	81 208	74 155
Arising on acquisitions during the year		
Amounts due to vendors	(6 346)	(472)
Intangible assets	(20 034)	(3 917)
Right-of-use assets		(970)
Lease liabilities		970
Allowance for expected credit loss	350	52
Leave pay and bonus accruals	600	141
Other		164
Arising on additions during the year		
Capital allowances	(5 307)	
Raised (utilised) during the year (including prior years under/over provision and rate change)		
Capital allowances	(794)	3 164
Amounts due to vendors	1 051	317
Intangible assets	2 320	(2 458)
Right-of-use assets	(6 791)	13 689
Lease liabilities	8 231	(13 151)
Allowance for expected credit loss	717	(927)
Leave pay, bonus accruals and share-based payments	(15 113)	6 937
Calculated tax loss		(397)
Fair value of cash flow hedges	(4 120)	3 214
Other	(1 315)	697
	34 657	81 208
The movement has been recognised as follows:		
– in the current year tax charge (note 9)	(11 694)	7 871
– in other comprehensive income	(4 120)	2 950
– acquisition	(25 430)	(4 032)
– addition of property	(5 307)	
– directly in equity		264
	(46 551)	7 053

Notes to the annual financial statements continued

for the year ended 30 November 2023

R000	2023	2022
16. Inventories		
Finished goods and merchandise	2 585 259	2 253 991
Raw materials and components	48 092	53 340
Work in progress	59 999	48 076
	2 693 350	2 355 407
Cost of inventory recognised as an expense in cost of sales	5 437 842	4 923 431
Write-down of inventory to net realisable value and losses of inventory	13 832	15 185
Amounts removed during the year from the cash flow hedging reserve decreasing the initial cost of inventories	22 944	25 528
The group policy is to estimate, at zero net realisable value, the inventory that will eventually be scrapped, as it is rare for price reductions to result in the sale of obsolete inventory.		

17. Trade and other receivables

Trade receivables	1 361 687	1 259 520
Allowance for expected credit loss	(69 976)	(64 916)
Fair value of forward exchange contracts	3 238	
Indirect taxes	48 411	21 135
Other receivables	86 303	103 575
Pre-payments and deposits	59 605	46 480
	1 489 268	1 365 794

Allowance for expected credit loss

Balance at the beginning of the year	64 916	67 378
Exchange differences	81	(86)
Additional allowance charged to profit or loss	22 783	15 257
Allowance reversed to profit or loss	(3 074)	(8 764)
Allowance utilised	(14 730)	(8 869)
	69 976	64 916

All trade receivables are provided for based on the lifetime expected credit loss impairment method using the simplified approach. The provision is predominantly determined by the use of a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the industry that the accounts receivable related to, including interest and exchange rate, industry growth expectations and extended payment terms granted. The group also provides fully for amounts past their due dates that are not insured, which based on history and the circumstances surrounding the individual receivable are not considered to be recoverable. Individual businesses are allowed discretion as to when a fully impaired receivable is written off and no group policy is imposed. Generally, this will be done when the management team at the business believes that all reasonable avenues for collection have been exhausted.

Expected credit losses on financial assets included in other receivables have been determined to be immaterial.

The table below sets out information regarding the group's credit risk exposure on trade receivables using the aforementioned provision matrix.

	2023			2022		
	Expected credit loss rate	Total gross carrying amount	Expected credit loss	Expected credit loss rate	Total gross carrying amount	Expected credit loss
Ageing of trade receivables	%	R000	R000	%	R000	R000
Less than 30 days	1	818 738	7 878	1	809 538	9 123
31 to 60 days	1	292 202	4 106	2	264 082	4 266
61 to 90 days	3	73 984	2 070	4	70 077	2 723
91 to 120 days	5	39 254	2 079	6	31 992	2 030
121 days and more	31	52 769	16 352	42	46 687	19 402
Specifically impaired		84 740	37 491		37 144	27 372
		1 361 687	69 976		1 259 520	64 916

There is no significant concentration of credit risk in any one customer of the group. At 30 November 2023, of gross trade receivables of R1 362 million, there were only 23 customers across the group owing more than R5 million individually and together these comprised only 23% of the book, with the largest representing 3%. The decrease in the expected credit loss rate on receivables aged at 121 days and more was attributable to a greater focus on specific impairment and an increase in receivables written off.

18. Shareholders' equity

18.1 Authorised share capital

40 000 000 ordinary shares of 10 cents each	4 000	4 000
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18.2 Issued share capital

31 590 980 (2022: 32 519 720) ordinary shares outstanding at the beginning of the year	3 159	3 252
695 000 (2022: 928 740) ordinary shares repurchased during the year	(70)	(93)
30 895 980 (2022: 31 590 980) ordinary shares	3 089	3 159
Less: 2 507 828 ordinary shares held by subsidiary company	(251)	(251)
Net 28 388 152 (2022: 29 083 152) ordinary shares outstanding at the end of the year	2 838	2 908

During the year the company repurchased 695 000 of its own shares for R111.7 million. All of these were withdrawn from the market and cancelled on 15 February 2023, reducing the number of issued shares at year-end to 30 895 980 ordinary shares of which 2 507 828 are held by a subsidiary company.

18.3 Unissued shares

4 003 000 unissued shares have been made available to the employee share incentive scheme although it is not policy to issue new shares to meet the obligations under the scheme (see note 18.6).

18.4 Non-distributable reserves

R000	Special reserve account	Cash flow hedging reserve	Foreign currency translation reserve	Equity compensation reserves	BEE transaction share-based payments	Total
Note		24.2.1				
Balance at 1 December 2021	332	609	(13)	98 145	37 326	136 399
Other comprehensive income for the year		14 049	899			14 948
Transfer to cost of inventory		(21 424)				(21 424)
Increase in equity compensation reserves				28 308		28 308
Balance at 30 November 2022	332	(6 766)	886	126 453	37 326	158 231
Less: Shares held by subsidiary company	(41)					(41)
Net balance at 30 November 2022	291	(6 766)	886	126 453	37 326	158 190
Balance at 1 December 2022	332	(6 766)	886	126 453	37 326	158 231
Transfer to cost of inventory		(22 410)				(22 410)
Other comprehensive income for the year		32 340	985			33 325
Decrease in equity compensation reserves				(3 396)		(3 396)
Balance at 30 November 2023	332	3 164	1 871	123 057	37 326	165 750
Less: Shares held by subsidiary company	(41)					(41)
Net balance at 30 November 2023	291	3 164	1 871	123 057	37 326	165 709

Notes to the annual financial statements continued

for the year ended 30 November 2023

18. Shareholders' equity continued

18.5 Non-controlling interest

	2023		
	Ironman 4X4 Africa RF (Pty) Ltd ⁽¹⁾	Hudaco Trading (Pty) Ltd	DD Power Holdings (Pty) Ltd
R000			
Proportion of ownership held by non-controlling interests	50%	15%	30%
Turnover	60 374	8 863 599	519 787
Profit after tax for the year	7 877	203 546	80 350
Profit allocated to non-controlling interests for the year	3 939	30 531	24 105
Dividends paid to non-controlling interests for the year	(2 000)	(10 800)	(7 800)
Total comprehensive income for the year allocated to non-controlling interests	3 939	33 127	22 249
Accumulated equity allocated to non-controlling interests	15 820	118 921	62 975
Cash flow from operating activities	5 053	643 030	37 003
Cash flow from investing activities	(1 268)	(272 797)	(1 682)
Cash flow from financing activities	(5 537)	(372 093)	(26 000)
Non-current assets	13 838	2 860 706	7 358
Current assets	31 119	4 208 781	286 081
Non-current liabilities	6 507	4 702 015	1 656
Current liabilities	6 809	2 513 611	80 544
	2022		
	Ironman 4X4 Africa RF (Pty) Ltd ⁽¹⁾	Hudaco Trading (Pty) Ltd	DD Power Holdings (Pty) Ltd
R000			
Proportion of ownership held by non-controlling interests	50%	15%	30%
Turnover	53 013	8 120 597	374 031
Profit after tax for the year	12 651	355 730	62 417
Profit allocated to non-controlling interests for the year	6 325	53 360	18 725
Dividends paid to non-controlling interests for the year	(7 500)	(9 000)	(15 900)
Total comprehensive income for the year allocated to non-controlling interests	6 325	51 931	19 416
Accumulated equity allocated to non-controlling interests	13 881	96 594	48 526
Cash flow from operating activities	13 771	687 659	62 211
Cash flow from investing activities	(776)	(155 674)	(1 100)
Cash flow from financing activities	(16 574)	(571 936)	(53 000)
Non-current assets	15 110	2 618 050	7 027
Current assets	26 800	3 793 808	219 464
Non-current liabilities	8 136	4 130 584	603
Current liabilities	6 011	2 550 431	64 135

⁽¹⁾ The group has voting control of Ironman 4X4 Africa RF (Pty) Ltd by agreement between the shareholders.

All entities are headquartered in Gauteng and operate mainly throughout South Africa.

18. Shareholders' equity continued

18.6 Employee share-based remuneration schemes

Senior employees, including executive directors, participate in two equity-settled share-based remuneration schemes. They are the share appreciation bonus scheme and the share matching scheme, in which only executive directors and nominated senior managers participate.

	Number of shares	
	2023	2022
000		
Shares currently available to be granted in terms of the share appreciation bonus scheme in the future ⁽¹⁾	1 580	1 580
Shares potentially required to meet obligations in terms of the share appreciation bonus scheme ⁽²⁾	778	1 085
Shares available	802	495

⁽¹⁾ Authorised at the annual general meeting held on 30 March 2023.

⁽²⁾ The number of shares varies in accordance with the Hudaco share price. This number has been calculated using the share price at year-end. Group policy is not to issue new shares but to acquire them on the open market.

Share appreciation bonus scheme

The following share appreciation bonus rights have been granted in terms of the scheme, an update of which was approved by shareholders in March 2011:

	Weighted average strike price in cents		Number of rights (000)	
	2023	2022	2023	2022
Rights not taken up at the beginning of the year	11 216	10 688	5 149	4 975
Rights granted during the year	15 863	14 650	760	770
Forfeited during the year	(10 483)	(9 532)	(826)	(49)
Rights exercised during the year	(11 045)	(11 395)	(1 395)	(547)
Rights not taken up at the end of the year	12 403	11 216	3 688	5 149
Already exercisable	12 425	12 202	570	1 468
First exercisable in the financial years ending:				
November 2023		9 775		904
November 2024	9 702	9 674	813	984
November 2025	10 683	10 537	864	1 017
November 2026	14 420	13 534	732	536
November 2027	15 292	14 650	465	240
November 2028	15 863		244	
	12 403	11 216	3 688	5 149

Since year end, at least 270 419 of these rights have been forfeited.

Participants in this scheme will receive a bonus, settled in Hudaco shares at market price, equal to the appreciation in the Hudaco share price between the date of grant (strike price) and the date of exercise, multiplied by the number of rights granted. It is Hudaco's policy to acquire these shares on the open market and not to issue new shares. Tranche 1 vests three years after grant, tranche 2 vests four years after grant and tranche 3 vests five years after grant. Each tranche must be taken up within four years of vesting.

For executive directors and nominated senior managers, the number of rights that may be taken up in each tranche is subject to two performance tests. For other participants there are no performance tests. For the rights awarded in 2015, 2020, 2021, 2022 and 2023 the two performance measures carry equal weighting. For those awarded in 2016 the weighting is 60% on return on equity and 40% on ceps growth, while for those awarded in 2017, 2018 and 2019 the weighting is 70% on return on equity and 30% on ceps growth. For full vesting, return on equity from date of the award until vesting date must be at least 18% per annum for 2015 to 2019, 17% for 2020 and 2021, 15% for 2022 and 16% for 2023. Comparable earnings per share growth must exceed inflation plus 3% for rights awarded in 2015 to 2021 inflation for 2022 and for those awarded in 2023 ceps must match 2022 ceps for the first two years and CPI growth thereafter.

Notes to the annual financial statements continued

for the year ended 30 November 2023

18. Shareholders' equity continued

18.6 Employee share-based remuneration schemes continued

Share matching scheme

The following share matching rights have been granted in terms of the scheme that was introduced by the remuneration committee in January 2014:

	Weighted average strike price in cents		Number of rights (000)	
	2023	2022	2023	2022
Rights not taken up at the beginning of the year	9 674	9 190	824	753
Rights granted during the year	14 388	12 912	192	183
Rights forfeited during the year		(8 668)		(7)
Rights exercised during the year	(8 949)	(11 915)	(163)	(105)
Rights not taken up at the end of the year	10 876	9 674	853	824

Since year-end, 60 529 rights have been forfeited. After taking this into account, 478 093 rights are first exercisable in the financial year ending November 2024, 152 226 in the financial year ending November 2025 and the remaining 162 299 in the financial year ending November 2026.

Participants in the scheme will receive one Hudaco share for each right if they remain in Hudaco's employ and hold on to their shares for three years after the date on which they were acquired.

Cost of share-based payments

The estimated fair value of these rights was calculated at grant date using a modified binomial tree option pricing model with the following inputs:

Share appreciation bonus scheme

Date of grant	10 Jul 15	20 Jul 16	24 Jul 17	23 Jul 18	26 Jul 19	27 Jul 20	9 Jul 21	29 Jul 22	17 Jul 23
Number of rights granted	710 300	787 420	698 950	751 410	882 870	1 469 675	860 695	769 500	759 760
Rights forfeited/expired	(257 433)	(225 026)	(209 415)	(273 066)	(301 557)	(319 225)	(149 520)	(61 085)	(3 280)
Rights taken up	(376 720)	(531 816)	(379 986)	(277 031)	(304 935)	(331 658)	(1 220)		
Rights still outstanding	76 147	30 578	109 549	201 313	276 378	818 792	709 955	708 415	756 480
Vested rights	76 147	30 578	109 549	201 313	79 564	72 458			
Unvested rights					196 814	746 334	709 955	708 415	756 480
Exercise price (R) – strike price (10-day VWAP)	125.24	102.93	125.10	149.51	117.27	68.37	124.91	146.50	158.63
Share price at grant date (R)	129.63	104.21	127.40	150.00	117.96	70.00	129.39	149.56	160
Expected volatility (%) ⁽¹⁾	21	28	28	27	27	29	31	31	32
Expected dividend yield (%)	4.3	4.8	4.7	4.1	5.5	8.3	4.9	6.3	5.0
Risk-free rate (%)	7.8	8.1	7.7	8.1	7.3	6.4	7.4	8.7	9.3
Vesting period (years)	3 to 5	3 to 5	3 to 5	3 to 5	3 to 5	3 to 5	3 to 5	3 to 5	3 to 5
Estimated fair value per right (R)	29.88	29.54	37.23	45.41	32.22	13.07	40.48	43.51	49.65

Share matching scheme

	2020	2021	2022	2023
Granted during				
Number of rights granted	133 386	515 976	182 537	192 517
Number of rights forfeited	(2 836)	(5 432)		
Number of rights exercised	(130 550)	(32 451)		
Unvested rights		478 093	182 537	192 517
Share price at grant date (R)	95.10	95.56	148.00	164.24
Expected volatility (%) ⁽¹⁾	29	31	31	32
Expected dividend yield (%)	8.3	4.9	6.3	5.0
Risk-free rate (%)	6.4	7.4	8.7	9.3
Vesting period (years)	3	3	3	3
Estimated fair value per right (R)	90.64	86.60	129.12	143.88

⁽¹⁾ Taking into account the expected term of the right, the Hudaco Industries Limited historical weekly volatility information was used to estimate expected future volatility, as there is nothing to indicate that this would not be an appropriate proxy for forecasting volatility.

18. Shareholders' equity continued

18.6 Employee share-based remuneration schemes continued

Employee share-based payment expense included in operating profit arising from:

Share appreciation scheme	18 261	29 987
Share matching scheme	30 606	25 775
	48 867	55 762

19. Non-current liabilities

19.1 Amounts due to bankers

Unsecured borrowings on a R500 million general banking facility from FirstRand Bank Limited (RMB) bearing interest at rates that vary between prime minus 2.00% and prime minus 1.85%.	400 000	250 000
Unsecured borrowings on a R500 million 15 months revolving credit facility from Absa Bank Limited, with an option to extend. The facility bears interest at a rate of JIBAR plus 1.44%.	250 000	250 000
Unsecured borrowings on a R500 million evergreen revolving credit facility from Nedbank Limited. The facility bears interest at a rate of JIBAR plus 1.55%.	500 000	250 000
For each of the facilities, the bank has the right to call it up on 367 days' notice and the primary financial covenants are that the interest cover to EBITDA ratio shall exceed 4:1 (RMB – 3.5:1) and the net debt to EBITDA ratio shall not exceed 2.5:1 (RMB – 3:1). At year-end these were 11.1:1 (2022: 20.8:1) and 0.7:1 (2022: 0.5:1), respectively. The basis of calculation for RMB is slightly different from the others.		
	1 150 000	750 000

19.2 Amounts due to vendors of businesses acquired

Estimated amount due to the vendors of Brigit Fire acquired in 2023. The amount finally payable (maximum R165 million) is subject to average earnings of the business, for the two years up to 31 August 2025	129 524	
Estimated amount due to the vendors of CADAC acquired in 2022	6 000	23 667
Total fair value of liabilities	135 524	23 667
Less: Payable within 12 months	53 044	23 667
	82 480	

These liabilities are estimated based on available information. Any adjustment is debited or credited to profit or loss when the adjustment is determined.

19.3 Lease liabilities

Measurement of lease liabilities	470 270	440 786
Less: Payable within 12 months	109 513	110 202
	360 757	330 584

In calculating the present value of lease payments, the group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The discount rate applied to leases concluded during the year varied between 8.2% and 10.0% (2022: 5.2% and 7.1%), being the borrowing rate of the group at the time of entering a new lease agreement.

Lease liabilities mostly relate to warehouse and office facilities and represent the financial obligation of the group to make lease payments to landlords to use the underlying leased premises (right-of-use assets), during the lease term. The majority of leases cover an initial period of three to five years, and some include an option to renew on expiry. The lease term includes the renewal period only if the group has agreed terms with the landlord and the renewal contract is enforceable by both parties, and the probability of exercising the renewed option is reasonably certain.

Balance at the beginning of the year	440 786	476 687
New leases concluded during the year	57 596	36 730
Acquisition		3 464
Effect of reassessment of the reasonable certainty that extension options will be exercised	77 691	38 312
Interest charged to lease liability during the year	37 797	29 293
Repayments of principal and interest during the year (rent paid)	(143 600)	(143 700)
Balance at the end of the year	470 270	440 786

Notes to the annual financial statements continued

for the year ended 30 November 2023

R000	2023	2022
19. Non-current liabilities continued		
19.3 Lease liabilities continued		
The lease liability will be settled as follows:		
– during the year ending 30 November 2023		134 107
– during the year ending 30 November 2024	143 672	108 677
– during the year ending 30 November 2025	126 949	90 325
– during the year ending 30 November 2026	112 058	69 390
– during the year ending 30 November 2027	74 026	44 523
– during the year ending 30 November 2028	55 588	31 110
– during the year ending 30 November 2029 and thereafter	57 056	35 413
	569 349	513 545
Imputed interest	(99 079)	(72 759)
	470 270	440 786
The assets relating to the liabilities are disclosed in note 12.		
20. Trade and other payables		
Trade payables	827 846	870 511
Fair value of forward exchange contracts	213	19 389
Payroll accruals	163 686	165 915
Indirect taxes	61 493	56 927
Other payables	224 332	208 916
	1 277 570	1 321 658
21. Dividends		
Dividends paid to equity holders of the parent were:		
Dividend number 71 of 625 cents per share declared on 2 February 2023	193 099	167 304
The record date was 3 March 2023 and the dividend was paid on 6 March 2023		
Dividend number 72 of 325 cents per share declared on 29 June 2023	100 412	97 258
The record date was 11 August 2023 and the dividend was paid on 14 August 2023		
Dividends paid to subsidiary company	(23 824)	(20 564)
	269 687	243 998
On 1 February 2024 the directors declared dividend number 73 of 700 cents per share, being the final dividend in respect of the year ended 30 November 2023. The record date will be 1 March 2024 and the dividend will be paid on 4 March 2024. This dividend has not been included as a liability in these financial statements.		
22. Notes to the statement of cash flows		
22.1 Increase in working capital		
Increase in inventories	(285 407)	(292 361)
Amounts from cash flow hedging reserve allocated to initial value of inventories	10 925	(943)
Increase in trade and other receivables	(76 730)	(83 390)
Increase (decrease) in allowance for expected credit loss	5 060	(2 772)
Exchange differences	(170)	99
(Decrease) increase in trade and other payables	(50 288)	34 864
Fair value of current year cash flow hedges included in working capital	4 332	(10 925)
	(392 278)	(355 428)
22.2 Taxation paid		
Net amounts owed at the beginning of the year	(52 656)	(32 116)
Current tax charge	(228 110)	(266 104)
Prior year over provision	883	5 726
Foreign tax charge	(6 130)	(4 180)
Net amounts owed at the end of the year	26 146	52 656
	(259 867)	(244 018)

22. Notes to the statement of cash flows continued

22.3 Acquisition of businesses

	Brigit Fire 1 September 2023	CADAC 28 February 2022
Effective date of control		
Fair value of net assets acquired:		
Plant and equipment	4 151	2 589
Right-of-use assets		3 464
Goodwill	100 936	11 822
Intangible assets	96 412	13 990
Inventories	62 349	58 940
Trade and other receivables	40 784	35 125
Trade and other payables	(6 200)	(14 936)
Bank balance (overdraft)	3 241	(5 184)
Lease liabilities		(3 464)
Deferred taxation	(25 430)	(4 032)
Net operating assets acquired	276 243	98 314
Bank (balances) overdraft assumed	(3 241)	5 184
Balance owed to vendors at acquisition date	(126 213)	(22 556)
Net cash outflow on acquisition	146 789	80 942
Profit after tax since acquisition date included in the consolidated results for the year	6 565	19 011
Turnover since acquisition date included in the consolidated results for the year	53 621	235 428
Group profit after tax had the business combinations been included for the entire year	695 712	676 657
Group turnover had the business combinations been included for the entire year	9 042 763	8 191 750
Refer to page 97 in the directors' report for further information.		

22.4 Disposal of business

	Proof Engineering 31 October 2023
Effective date of disposal	
Fair value of net assets disposed:	
Plant and equipment	243
Goodwill	3 667
Inventories	9 813
Trade and other receivables	980
Net operating assets disposed	14 703
Proceeds and balance owed by vendors at disposal date	(12 000)
Loss on disposal of business	2 703

22.5 Payments to vendors of businesses acquired

Amounts owed at the beginning of the year	(23 667)	
Acquisition during the year	(126 213)	(22 556)
Finalisation of purchase price allocation	(6 000)	
Adjustment to fair value of amounts due to vendors of businesses acquired	(3 892)	(1 111)
Amounts owed at the end of the year	135 524	23 667
	(24 248)	

22.6 Dividends paid

To equity holders of the parent	(269 687)	(243 998)
To non-controlling shareholders	(20 600)	(32 400)
	(290 287)	(276 398)

22.7 Net bank balances

Bank deposits and balances	244 988	226 641
Bank overdraft	(107 580)	(97 855)
	137 408	128 786

Notes to the annual financial statements continued

for the year ended 30 November 2023

R000

2023

2022

23. Commitments

The group has budgeted to spend R122 million (2022: R94 million) to acquire property, plant and equipment and computer software in 2024, none of which is committed or contracted for. Total capital expenditure will be financed by net cash flow from operations and the utilisation of unutilised borrowing facilities.

24. Financial instruments

Details of the group's financial instruments are set out below:

24.1 Summary of financial instruments

Financial assets by class:

Trade receivables – net	1 291 711	1 194 604
Trade receivables	1 361 687	1 259 520
Allowance for expected credit loss	(69 976)	(64 916)
Other receivables (excluding indirect taxes)	86 303	103 575
Fair value of forward exchange contracts	3 238	
Bank deposits and balances	244 988	226 641
	1 626 240	1 524 820

Financial assets by category:

At amortised cost	1 623 002	1 524 820
Derivatives used for hedging at fair value	3 238	
	1 626 240	1 524 820

Financial liabilities by class:

Amounts due to vendors of businesses acquired	135 524	23 667
Amounts due to bankers	1 150 000	750 000
Bank overdraft	107 580	97 855
Trade payables	827 846	870 511
Fair value of forward exchange contracts	213	19 389
Other payables (excluding payroll accruals and indirect taxes)	224 332	208 916
	2 445 495	1 970 338

Financial liabilities by category:

Financial liabilities at amortised cost	2 309 758	1 927 282
Financial liabilities at fair value through profit or loss	135 524	23 667
Derivatives used for hedging at fair value	213	19 389
	2 445 495	1 970 338

Forward exchange contracts are recognised at fair value in the statement of financial position. The fair value is indirectly derived from prices in active markets for similar liabilities, which means it is classified as a level 2 fair value measurement.

All other financial instruments are carried at amounts that approximate fair value. The fair values for bank deposits and balances, receivables, payables and bank overdraft approximate their carrying values due to the short-term nature of these instruments. The fair values have been determined by using available market information and appropriate valuation methodologies.

24.2 Market risk

24.2.1 Foreign currency risk

The group imports more than 70% of its inventories and consequently has significant exposure to currency risk arising from the volatility of the South African Rand against major currencies. Group policy is to use forward cover contracts to mitigate risk resulting from the future payment for goods where transactions are denominated in foreign currencies and to protect Hudaco's cash flows in the functional currency of ZAR. The Hudaco basket of currencies for the year ended 30 November 2023 was very typical for the group and comprised approximately 60% USD, 31% EUR, 4% YEN, 4% CNY and 1% GBP. Amounts for other currencies were insignificant. Management of foreign currency exposure is based on the principle of avoiding speculation and employing a hedging strategy designed to achieve high hedge effectiveness. All foreign currency liabilities are hedged directly by the time ownership of the asset passes to Hudaco, which is usually on bill of lading date.

In addition, on average about 30% of open orders on suppliers are also hedged directly to guard against spikes in exchange rates. Each business has its own mandate for covering orders varying from 0% to 100%. An important driver of the extent to which orders of a business are hedged is the opportunity to change selling prices between the time the order is placed on the supplier and the point at which a selling price is committed to the customer. It is understood that, in the context of Rand volatility, rather than the preferred gradual depreciation of the currency, this hedging strategy involves a risk of being locked in at weak exchange rates at times when the Rand strengthens. The FECs related to open orders are initially accounted for as cash flow hedges and once the related inventory and payable is recognised in the statement of financial position, the FECs are accounted for as fair value hedges.

24. Financial instruments continued

24.2 Market risk continued

24.2.1 Foreign currency risk continued

Hudaco's hedging policy has the objective of getting as close to 100% effectiveness as reasonably possible on the exposures that are hedged, and is designed accordingly. While Hudaco would consider 80% effectiveness of hedges to be acceptable because of vagaries in the supply chain, the targeted and actual effectiveness is expected to be above 90% for the group as a whole.

The hedge is assessed using the following criteria set out in IFRS 9:

- An economic relationship between the hedged item (payments to suppliers) and the hedging instrument (FEC in the same currency as the hedged item) exists in that the value attributable to the hedging instrument and to the hedged item move proportionately in opposite directions.
- Credit risk does not dominate value changes: Only the big four South African banks are used as counterparties, so credit risk is negligible and does not give rise to any value changes in the hedging relationship.
- The hedge ratio: The amount and nature of the hedged item and the amount of the hedging instrument are identical in all instances, except in the case of cancelled orders or short delivery. This results in a hedge ratio of 1:1 or 100%.

The above three criteria have been met and all hedges are effective.

The primary factor that could affect hedge effectiveness is the cancellation of orders or delays that are so long and unexpected or uncertain that an existing forward contract is used for a different transaction. The extent to which this happens is very small in the context of Hudaco's total imports.

Fair value hedges – during the year the group entered into various forward exchange contracts to cover foreign currency liabilities. The cost of these fair value hedges amounted to R22.9 million (2022: R24.8 million). These contracts for the purchase forward currency will be utilised for the settlement of foreign accounts payable in the next year:

	Year-end spot rate R	Foreign amount 000	Contract rate R	Rand equivalent R000
US Dollar	18.89	12 787	18.99	242 814
Australian Dollar	12.45	55	12.20	677
Pound Sterling	23.84	178	23.27	4 149
Euro	20.61	6 828	20.50	139 985
Japanese Yen	7.86	281 131	7.70	36 503
Chinese Yuan	2.64	3 519	2.61	9 213
Total cost of contracts				433 341
Rand equivalent, at year-end spot rates, of the foreign currency amounts in the above contracts				432 244
Fair value of forward exchange contracts on foreign accounts payable				1 097

The foreign currency liabilities covered by the forward exchange contracts above are as follows:

	Year-end spot rate R	Foreign amount 000	Rand equivalent R000
US Dollar	18.89	12 787	241 587
Australian Dollar	12.45	55	690
Pound Sterling	23.84	178	4 250
Euro	20.61	6 828	140 698
Japanese Yen	7.86	281 131	35 767
Chinese Yuan	2.64	3 519	9 252
Total cost of contracts			432 244

Notes to the annual financial statements continued

for the year ended 30 November 2023

24. Financial instruments continued

24.2 Market risk continued

24.2.1 Foreign currency risk continued

Cash flow hedges – at 30 November 2023 the group had entered into the following forward exchange contracts relating to forecast purchase transactions, ie orders placed on suppliers but not yet shipped. These contracts for the purchase of foreign currency will be utilised for settlement of shipments received during the next two months:

	Year-end spot rate R	Foreign amount 000	Contract rate R	Rand equivalent R000
US Dollar	18.89	9 483	18.76	177 925
Australian Dollar	12.45	4	12.43	46
Pound Sterling	23.84	31	23.34	722
Euro	20.61	3 708	20.09	74 493
Japanese Yen	7.86	44 945	7.81	5 753
Chinese Yuan	2.64	27 773	2.58	71 448
Swiss Franc	21.60	5	21.29	103
Total cost of contracts				330 490
Rand equivalent, at year-end spot rates, of the foreign currency amounts in the above contracts				334 825
Profit recognised directly in equity on import orders				(4 335)
Taxation				1 171
Attributable to equity holders of the parent (note 18.4)*				(3 164)

* To be allocated to initial cost of inventories in subsequent accounting periods.

Significant export orders will also expose the group to currency risk. Group policy is to take forward cover on significant foreign currency accounts receivable (which effectively changes them from foreign to local currency assets). At 30 November 2023 the group had not entered into any forward exchange contracts relating to forecasted sale transactions and held the following exchange contracts in respect of foreign accounts receivable that will be utilised in the next year:

	Year-end spot rate R	Foreign amount 000	Contract rate R	Rand equivalent R000
US Dollar	18.89	2 436	18.80	45 815
Total cost of contracts				45 815
Rand equivalent, at year-end spot rates, of the foreign currency amounts in the above contracts				46 028
Fair value of forward exchange contracts on foreign accounts receivable				(213)

The group determines whether the forward exchange contracts being used in hedging transactions are indeed highly effective.

Hudaco's central treasury is responsible for the management of foreign currency exposure throughout the group. This is done within clear guidelines set by the board, and exposure and limits are reviewed at quarterly board meetings. There has been no change during the year to the group's approach to managing foreign currency risk.

24. Financial instruments continued

24.2 Market risk continued

24.2.1 Foreign currency risk continued

The group does not speculate in foreign currencies and hedging is only done where management is satisfied that there is a firm and ascertainable underlying commitment. As an element of control over input data, all information submitted is authorised by the chief financial officer of the business concerned.

The Rand remained volatile during 2023 and the conservative approach in the hedging policy was maintained so as not to expose the group to the continued volatility.

24.2.2 Interest rate risk

The group uses bank finance and has been reluctant to fix interest rates for extended periods on borrowings that finance working capital.

The interest rate profile of non-current borrowings is as follows:

	Year of repayment	Interest rate %	2023 R000	2022 R000
Amounts due to bankers	2025	JIBAR plus premium	1 150 000	750 000

A change of 1% in the interest rate charged on non-current borrowings will affect profit after tax by approximately R8.4 million (2022: R5.4 million) per year and profit attributable to equity holders of the parent by R7.1 million (2022: R4.6 million).

24.3 Credit risk

Credit risk is present in trade receivables and short-term cash investments.

At group level trade receivables consist of a large, widely-spread customer base with no significant concentration of risk to any one customer or industry. Each business in the group is responsible for the management of credit risk in receivables and does so through ongoing credit evaluations, credit insurance and credit control policies and procedures. Management does not consider there to be any material credit risk exposure that is not already covered by an allowance for expected credit loss.

It is group policy to deposit short-term cash investments with major banks, within limits approved by the board, where security rather than yield is the overriding consideration.

The maximum credit risk to which the group is exposed is as follows:

R000	2023	2022
Trade receivables – net	1 291 711	1 194 604
Other receivables (excluding indirect taxes)	86 303	103 575
Fair value of forward exchange contracts	3 238	
Bank deposits and balances	244 988	226 641
	1 626 240	1 524 820

Notes to the annual financial statements continued

for the year ended 30 November 2023

24. Financial instruments continued

24.4 Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Unutilised facilities at 30 November 2023 were R1 055 million.

There is no restriction on borrowing powers in terms of the Memorandum of Incorporation and at 30 November 2023 the group's banking facilities substantially exceeded its forecast requirements for the forthcoming year.

The maturity profile of financial liabilities is as follows:

	Contractual cash flows during the year ending		
	Total	30 November 2024	30 November 2025 and thereafter
R000			
Amounts due to bankers	1 264 775	114 775	1 150 000
Lease liabilities	569 349	143 672	425 677
Bank overdraft	107 580	107 580	
Trade payables	827 846	827 846	
Other payables (excluding payroll accruals and indirect taxes)	224 332	224 332	
Amounts due to vendors	155 716	56 844	98 872

	Contractual cash flows during the year ending		
	Total	30 November 2023	30 November 2024 and thereafter
R000			
Amounts due to bankers	814 160	64 160	750 000
Lease liabilities	513 545	134 107	379 438
Bank overdraft	97 855	97 855	
Trade payables	870 511	870 511	
Other payables (excluding payroll accruals and indirect taxes)	208 916	208 916	
Amounts due to vendors	24 241	24 241	

24.5 Fair value of derivative financial instruments

The profit (loss) arising on the fair value adjustment on all forward exchange contracts is set out below:

R000	2023	2022
Cash flow hedges (note 24.2.1)	4 335	(10 925)
Fair value hedges (on import contracts of R432 million at year-end spot rates)	(1 097)	(9 904)
Fair value hedges (on export contracts of R46 million at year-end spot rates)	(213)	1 440
	3 025	(19 389)

24.6 Capital management

The group seeks to ensure that it and each separate entity has sufficient capital to support its activities and its medium-term growth objectives.

In setting the ideal mix between debt and equity, the group seeks to optimise its return on shareholders' equity while maintaining prudent financial gearing. Generally, the objective is to operate with net interest-bearing debt not exceeding 2.0 times EBITDA. In 2023 it was 0.8 times (2022: 0.5 times).

Excess capital will be returned to shareholders in the form of special dividends or share buy-backs when appropriate.

In setting the maximum amount of unsubordinated debt the group would carry, the group's objective would also be to have net interest covered at least five times by operating profit; net interest being interest paid on interest-bearing debt less interest received. In 2023 it was 9.5 times covered by operating profit (2022: 17.8 times) and 11.1 times by EBITDA (2022: 20.3 times).

25. Retirement benefits

It is the policy of the group to provide for employees' retirement benefits by contributing to separate, defined contribution pension or provident plans which are independent entities managed by trustees and subject to the Pension Funds Act, 1956. Membership is of umbrella funds administered by Old Mutual. There are some businesses acquired by the group whose employees remain on their pre-acquisition retirement funds.

Contributions to retirement funding during the year amounted to R81.6 million (2022: R74.9 million). All permanent employees are required to become members of one of these plans unless they are obliged by legislation to be members of various industry funds.

The group does not contribute to post-retirement medical costs for current or future pensioners.

26. Directors' interests and remuneration

26.1 Interests of directors in the share capital of the company as at 30 November 2023

The total beneficial interests of directors in the shares of the company are:

	Direct Share register (own name)		Indirect Held by associates	
	2023	2022	2023	2022
SJ Connelly	274 139	274 139	1 680	1 680
CV Amoils	167 054	138 461	7 500	7 500
GR Dunford	434 728	313 860	250 100	407 212
LFJ Meiring	101 773	70 887		
EJ Smith	21 750			
	999 444	797 347	259 280	416 392

There have been no changes in the above shareholdings between 30 November 2023 and the date of the notice of the annual general meeting.

26.2 Directors' interests in the share appreciation bonus scheme and the share matching scheme

The directors' interests in the share appreciation bonus scheme and the share matching scheme are set out in the implementation of the remuneration policy section of the remuneration report, specifically dealing with executive directors' remuneration as set out on pages 74 to 81 of the integrated report.

26.3 Directors' remuneration

The remuneration of the directors is set out in the implementation of the remuneration policy section of the remuneration report, specifically dealing with executive directors' remuneration as set out on pages 74 to 81 of the integrated report and non-executive directors' remuneration on page 82.

Notes to the annual financial statements continued

for the year ended 30 November 2023

27. Segment information

R million	Group		Head office, shared services and eliminations		Consumer-related products		Engineering consumables	
	2023	2022	2023	2022	2023	2022	2023	2022
Statement of net income								
Turnover ⁽¹⁾	8 897	8 151	(17)	(25)	4 426	4 269	4 488	3 907
EBITDA before other income	1 246	1 166	(100)	(110)	667	730	679	546
Other income – proceeds from insurance claims		27				5		22
Depreciation less recoupments								
– property, plant and equipment	(54)	(49)	(1)	(1)	(21)	(21)	(32)	(27)
– right-of-use assets	(111)	(118)	(1)	(1)	(49)	(49)	(61)	(68)
Amortisation of intangible assets	(10)	(7)			(5)	(4)	(5)	(3)
Operating profit (loss) before fair value adjustments	1 071	1 019	(102)	(112)	592	661	581	470
Loss on disposal of business	(3)						(3)	
Fair value adjustments	(4)	(1)			(1)	(1)	(3)	
Profit (loss) before interest	1 064	1 018	(102)	(112)	591	660	576	470
Statement of financial position								
Property, plant and equipment	363	309	2		86	84	275	225
Right-of-use assets	406	382	10		160	157	236	225
Goodwill	1 285	1 182			704	698	581	484
Intangible assets	132	39			22	21	110	18
Deferred taxation – net	35	81	45	69	3	5	(13)	7
Inventories	2 693	2 355			1 385	1 149	1 308	1 206
Trade and other receivables	1 490	1 366	29	46	652	700	809	620
Trade and other payables	(1 279)	(1 322)	(98)	(58)	(510)	(620)	(671)	(644)
Taxation – net	(25)	(53)	130	116	(82)	(104)	(73)	(65)
Net operating assets	5 100	4 339	118	173	2 420	2 090	2 562	2 076
Turnover comprises								
Revenue from contracts with customers	8 897	8 151	(17)	(25)	4 426	4 269	4 488	3 907
Sales of products	8 673	7 895	(17)	(25)	4 373	4 195	4 317	3 725
Rendering of services	224	256			53	74	171	182
Timing of revenue recognition	8 897	8 151	(17)	(25)	4 426	4 269	4 488	3 907
Goods and services transferred at a point in time	8 732	7 976	(17)	(25)	4 399	4 236	4 350	3 765
Goods and services transferred over time	165	175			27	33	138	142
Geographical disaggregation	8 897	8 151	(17)	(25)	4 426	4 269	4 488	3 907
Goods and services sold in South Africa	8 054	7 348	(17)	(25)	4 132	3 974	3 939	3 399
Goods and services sold outside South Africa	843	803			294	295	549	508
Additional information								
Average net operating assets ⁽²⁾	4 724	4 275	(17)	(40)	2 426	2 226	2 315	2 089
Capital expenditure	81	83	3		31	22	47	61
Operating profit margin (%)	12.0	12.5			13.4	15.5	12.9	12.0
Return on average net operating assets (%)	22.7	23.8			24.4	29.7	25.0	22.5
Number of permanent employees	3 635	3 536	24	24	1 584	1 724	2 027	1 788

⁽¹⁾ Of the R17 million (2022: R25 million) elimination, R14 million (2022: R25 million) relates to consumer-related products and the balance to engineering consumables.

⁽²⁾ The average is determined by using the monthly closing balances for 13 months.

No secondary segment information has been prepared as revenue and assets outside South Africa are less than 10% of the group total. The performance of operating segments is measured at operating profit level. Management of interest is centralised.

28. Related-party transactions

Related parties are those that control or have a significant influence over the group (including holding companies, major investors and key management personnel) and parties that are controlled or significantly influenced by the group (including subsidiaries and retirement benefit plans).

Hudaco has no holding company, nor is there a major shareholder that has significant influence over the group. Group companies have entered into transactions in the ordinary course of business with certain financial institutions that are also shareholders, or their affiliates. In the main, these transactions relate to property leases and financial services. All such transactions have been concluded under terms that are consistent with those entered into with third parties.

The company and its subsidiaries do have dealings with each other but these are eliminated on consolidation and are not dealt with in this note. A list of principal subsidiaries is provided on page 141.

Details of transactions between the group and other related parties are disclosed below.

Key management personnel are defined as directors of the company and members of the executive committee and include partners and children.

Hudaco does not have prescribed officers as defined in Regulation 38 of the Companies Regulations, 2011.

R000	2023	2022
Compensation of key management personnel (excluding non-executive directors):		
Short-term employee benefits	66 550	72 892
Value of long-term incentives awarded during the year	40 576	33 029
	107 126	105 921

In addition to the above, key management personnel exercised share appreciation rights during 2023 with a difference between the market price at exercise date and the strike price amounting to R52.0 million (2022: R8.5 million). The value of share matching rights maturing during the year was R25.3 million (2022: R13.8 million).

Directors

Details of directors' remuneration and share-based payments are set out in the implementation of the remuneration policy section of the remuneration report, specifically dealing with executive directors' remuneration as set out on pages 74 to 81 of the integrated report and non-executive directors' remuneration on page 82.

Shareholdings of the directors are set out in note 26.

GR Dunford, chief executive of Hudaco, is an 82% shareholder of the landlord of premises occupied by Ambro Steel, Bearings International Power Transmission division, Dosco Precision Hydraulics, Gear Pump Manufacturing and Joseph Grieveson. Related-party rentals paid in respect of these businesses are as follows:

R000	Expiry date	2023	2022
Ambro Steel	Jul 26	4 444	3 952
Bearings International Power Transmission division	Jun 24	2 929	2 737
Dosco Precision Hydraulics	Apr 27	2 083	2 045
Gear Pump Manufacturing	Jun 24	2 952	2 759
Joseph Grieveson	Jun 24	3 857	3 605

Before any lease is concluded with a related party, a third-party property expert is consulted to determine market-related rental terms fair to both parties. Where a fairness opinion is required in terms of the JSE Listing Requirements, an additional independent expert is engaged to provide that opinion.

29. Events after reporting date

29.1 Acquisition

On 1 December 2023 Hudaco acquired the trading assets and liabilities of Plasti-Weld, an importer and stockist of plastic welding equipment, hot-air tools, specialised test and inspection equipment and thermo cutters. It also manufactures plastic welding rods.

The business was acquired on an earn-out and the financial consideration will be determined in February 2025, with a maximum of R56 million, which includes an initial payment of R43 million made in December 2023.

Hudaco constantly seeks out opportunities to expand operations and this business was acquired in order to increase the revenue earning capacity of the group. The business was valued using a price-earnings multiple and the excess of the consideration paid over the net assets acquired is attributable to goodwill.

29.2 Dividends

Refer to note 21 for details of dividend 73 declared on 1 February 2024.

Company financial statements

for the year ended 30 November 2023

Hudaco Industries Limited

Statement of financial position

at 30 November 2023

R000	2023	2022
Assets		
Non-current assets		
Interest in subsidiaries (note 1)	1 269 463	92 275
Current assets	350 916	
Amounts owed by subsidiaries (note 1)	350 000	
Receivables	916	
Total assets	1 620 379	92 275
Equity and liabilities		
Shareholders' equity	1 618 795	88 308
Current liabilities	1 584	3 967
Amounts owed to subsidiaries (note 1)		2 622
Payables and taxation	1 584	1 345
Total equity and liabilities	1 620 379	92 275

Statement of comprehensive income

for the year ended 30 November 2023

R000	2023	2022
Dividends received from subsidiaries		
– Hudaco Investment Company (Pty) Ltd	2 000 000	
– Hudaco Trading (Pty) Ltd	61 200	51 000
Operating costs	(5 568)	(4 895)
Fair value adjustment for time value of money (notes 1 and 6)	(119 935)	
Profit for the year	1 935 697	46 105

Hudaco Industries Limited

Statement of changes in equity

for the year ended 30 November 2023

R000	Share capital	Special reserve account	Retained income	Share-holders' equity
Note	3			
Balance at 1 December 2021	3 252	332	436 381	439 965
Profit after taxation			46 105	46 105
Repurchase of shares (note 3.2)	(93)		(133 109)	(133 202)
Dividends to shareholders			(243 998)	(243 998)
Dividends to subsidiary			(20 562)	(20 562)
Balance at 1 December 2022	3 159	332	84 817	88 308
Profit after taxation			1 935 697	1 935 697
Repurchase of shares (note 3.2)	(70)		(111 629)	(111 699)
Dividends to shareholders			(269 687)	(269 687)
Dividends to subsidiary			(23 824)	(23 824)
Balance at 30 November 2023	3 089	332	1 615 374	1 618 795

Statement of cash flows

for the year ended 30 November 2023

R000	2023	2022
Cash generated from operating activities		
Cash dividends received	764 077	51 000
– Per income statement	2 061 200	51 000
– Long term loan account	(1 297 123)	
Operating costs paid	(5 568)	(4 895)
(Increase) decrease in working capital	(677)	576
Cash flow from operating activities	757 832	46 681
Cash flow from financing activities		
Repurchase of shares	(111 699)	(133 202)
Dividends paid	(293 511)	(264 560)
Cash flow from financing activities	(405 210)	(397 762)
Increase (decrease) in cash and cash equivalents	352 622	(351 081)
Cash and cash equivalents at the beginning of the year	(2 622)	348 459
Cash and cash equivalents at the end of the year	350 000	(2 622)

Company financial statements continued

for the year ended 30 November 2023

Notes to the company financial statements

for the year ended 30 November 2023

R000	2023	2022
1. Interest in and loans to subsidiaries		
Shares at cost less amounts written off	92 275	92 275
Loans (from) to subsidiaries (note 6)	1 527 188	(2 622)
	1 619 463	89 653
<p>These loans are unsecured, interest-free and repayable on demand.</p> <p>The investment in a subsidiary company is carried at cost less impairment losses where applicable. The risk of default on the loans is considered to be highly unlikely and classified as stage 1 and therefore no allowance for expected credit loss has been raised.</p> <p>Details of subsidiaries are in note 5.</p>		
2. Contingent liability		
<p>The company has guaranteed the senior banking facilities of Hudaco Trading (Pty) Ltd, amounting to R1 150 million (2022: R750 million) at year-end. When allocating the risk to the various guarantors it is important to assess the structure of the transaction. The two primary guarantors within the structure are Hudaco Industries Limited and Hudaco Investment Company (Pty) Ltd. The difference in exposure of the two entities is, however, materially impacted by the intercompany loan between Hudaco Investment Company (Pty) Ltd and Hudaco Trading (Pty) Ltd. By acting as a guarantor Hudaco Investment Company (Pty) Ltd has structurally de facto subordinated itself to the lending banks. In the event of Hudaco Trading (Pty) Ltd defaulting, Hudaco Investment Company (Pty) Ltd will only be entitled to recover cash flows, against the intercompany loan, once the exposure to the banks has been settled.</p> <p>Given the structure above, Hudaco Industries Ltd will only be required to step in as guarantor if the cash flows realised from the Hudaco Trading (Pty) Ltd is not sufficient to settle the amounts due to the senior lenders. To assess the potential exposure of Hudaco Industries Limited the Loss Given Default was estimated after accounting for the structural de facto sub-ordination of the intercompany loan. The assessment resulted in a Loss Given Default of 0% indicating that Hudaco Industries Ltd has minimal exposure to a Hudaco Trading (Pty) Ltd default event. There has been no significant increase in credit risk.</p>		
3. Share capital		
3.1 Authorised share capital		
40 000 000 ordinary shares of 10 cents each	4 000	4 000
3.2 Issued share capital		
31 590 980 (2022: 32 519 720) ordinary shares outstanding at the beginning of the year	3 159	3 252
695 000 (2022: 928 740) ordinary shares repurchased during the year	(70)	(93)
30 890 980 (2022: 31 590 980) ordinary shares outstanding at the end of the year	3 089	3 159
<p>During the year the company repurchased 695 000 (2022: 928 740) of its own shares for R111.7million (2022: R133.2 million). These were withdrawn from the market and cancelled on 15 February 2023, reducing the number of issued shares to 30 890 980 ordinary shares of which 2 507 828 are held by a subsidiary company.</p>		
4. Risk management		
<p>Risk is managed under the same principles as set out in note 24 of the consolidated annual financial statements on pages 130 to 134 of this report. This includes the amounts owed by subsidiaries of R1 647.1 million (2022: nil) which is classified as a cash and cash equivalent financial asset classified at amortised cost.</p>		

5. Principal subsidiaries

	Interest of holding company					
	Issued share capital Rand	Group's effective interest		Book value of shares		Loans owing by (to)
		2023 %	2022 %	2023 R000	2022 R000	2023 R000 2022 R000
Hudaco Trading (Pty) Ltd	2 000	85 ⁽¹⁾	85 ⁽¹⁾	2	2	
Hudaco Investment Company (Pty) Ltd	26 160	100	100	48 158	48 158	1 527 188 (2 622)
Ironman 4X4 Africa RF (Pty) Ltd ⁽⁴⁾	100	50 ⁽³⁾	50 ⁽³⁾			
DD Power Holdings (Pty) Ltd ⁽⁴⁾	300 000	70 ⁽²⁾	70 ⁽²⁾			
DD Power (Pty) Ltd ⁽⁴⁾	7 450 000	70	70			
Valhold Ltd	959 841	100	100	37 692	37 692	
Valard Ltd	874 149	100	100	6 423	6 423	
Interest in subsidiaries				92 275	92 275	1 527 188 (2 622)

⁽¹⁾ 15% of the shares in Hudaco Trading (Pty) Ltd are held by the following BEE shareholders: The Hudaco Trading Empowerment Trust Number 1 – 10%; The Hudaco Trading Empowerment Trust Number 2 – 5%.

⁽²⁾ 30% of the shares in DD Power Holdings (Pty) Ltd are held by Deutz AG, incorporated in Germany.

⁽³⁾ 50% of the shares in Ironman 4X4 RF (Pty) Ltd are held by Ironman 4X4 International (Pty) Ltd incorporated in Australia.

⁽⁴⁾ Indirectly held.

Refer to the group directory on pages 154 to 157 for a comprehensive list of all trading businesses.

A complete list of subsidiaries is available to shareholders on request at the registered office of the company.

6. Group loans

The company does not have a day-to-day bank account. It utilises the loan accounts of subsidiary companies for operational matters. These loan accounts can be called on demand with no penalty and are readily convertible to a known amount of cash to meet the company's cash commitments, and are subject to an insignificant risk of change in value. The short term portion of R350 million (determined by a forecast of the company's cash demands for next 12 months) are classified as cash and cash equivalents in the statement of cash flows.

The balance of the loan account is deemed to be collectable in 367 days and is classified as long term and its carrying value is discounted by using the weighted average group interest rate at the time of 9.74% per annum.



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Shareholder analysis

as at 30 November 2023

Shareholder analysis

	Number of shareholders	Number of shares	% of issued shares
Portfolio size			
1 – 1 000 shares	3 543	773 924	2.73
1 001 – 5 000 shares	588	1 351 269	4.76
5 001 – 10 000 shares	98	702 368	2.47
10 001 – 100 000 shares	195	6 471 084	22.80
Over 100 000 shares	49	19 089 507	67.24
Total⁽¹⁾	4 473	28 388 152	100.00
Category			
Banks and nominee companies	43	1 231 782	4.34
Financial institutions and pension funds	603	22 721 991	80.04
Individuals	3 773	4 168 335	14.68
Other corporate bodies	54	266 044	0.94
Total⁽¹⁾	4 473	28 388 152	100.00
Shareholder spread			
Public shareholders	4 449	26 998 299	95.10
Non-public shareholders	24	1 389 853	4.90
Total⁽¹⁾	4 473	28 388 152	100.00

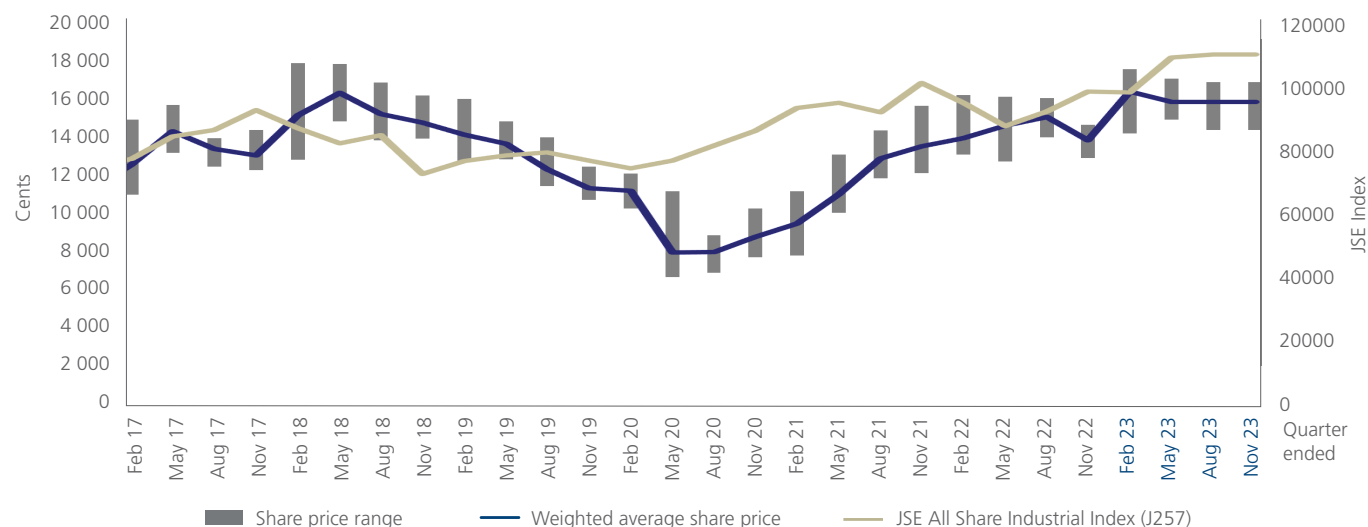
⁽¹⁾ Excludes 2 507 828 shares held by a subsidiary company.

Major shareholders

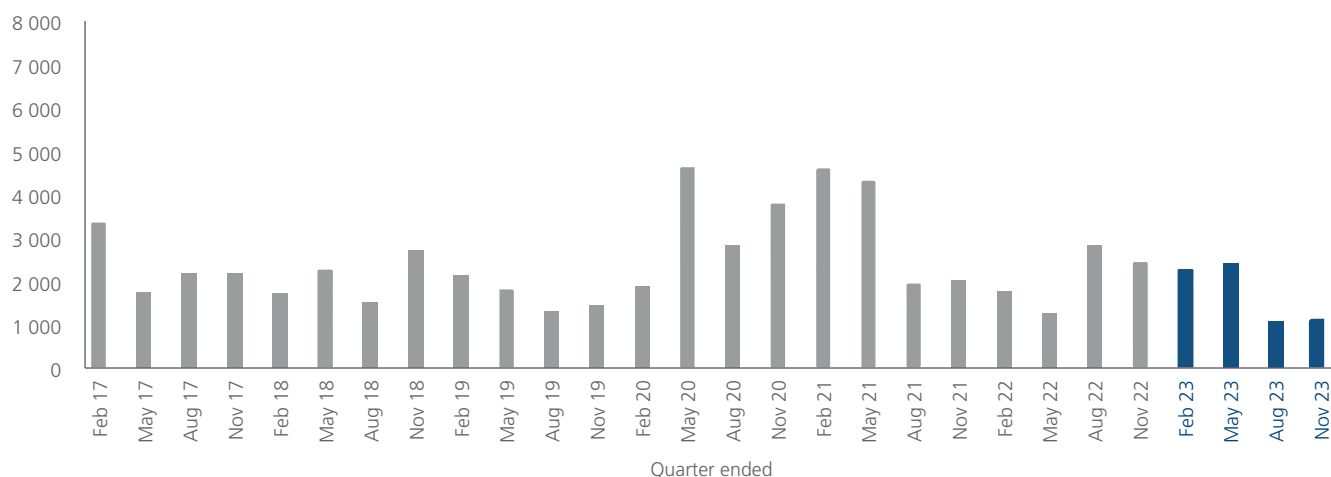
Beneficial shareholders holding more than 3%		
Public Investment Corporation GEPI	2 700 473	9.51
Invesco Advisers	1 459 600	5.14
Ninety One Emerging Companies Fund	1 290 609	4.55
PSG Flexible Fund	1 139 663	4.01
Investec IAL Special Focus Fund	922 869	3.25
Fund managers holding more than 3%		
PSG Asset Management	2 875 137	10.13
Public Investment Corporation	2 772 352	9.77
Ninety One	2 213 820	7.80
Aylett & Co Fund Managers	1 872 998	6.60
Invesco Advisers	1 591 536	5.61
Abax Investments	1 424 591	5.02
Bateleur Capital	1 243 994	4.38
Sanlam Investments	893 931	3.15

Share information

Share price history



Volume of shares traded (000)



JSE statistics

	2023	2022	2021	2020	2019	2018	2017
Market price (cents)	16 320	14 000	13 950	8 550	10 808	14 200	13 600
NAV per share (cents)	11 571	10 647	9 541	8 470	8 666	7 927	7 252
Number of shares in issue (000)*	28 388	29 083	30 012	30 621	31 646	31 646	31 646
Market capitalisation (Rm)*	4 633	4 072	4 187	2 618	3 420	4 494	4 304
Price:earnings ratio (times)	7.9	7.7	9.1	8.1	8.4	10.9	11.0
All Share Industrial Index PE ratio (J257)	18.5	22.9	22.4	33.6	22.9	19.9	30.4
Dividend yield (%)	4.7	4.7	3.7	3.8	4.2	3.2	3.1
All Share Industrial Index dividend yield (J257) (%)	2.6	2.1	1.5	1.6	2.3	2.3	1.9

Annual trade in Hudaco shares

Number of transactions recorded	18 694	21 681	31 289	33 184	22 314	24 072	29 245
Volume of shares traded (000)	6 932	8 495	13 162	13 424	6 882	8 440	9 714
% of issued shares traded*	24	29	44	44	22	27	31
Value of shares traded (Rm)	1 095	1 191	1 377	1 041	863	1 272	1 234

* Excludes treasury shares.

Notice of annual general meeting

Hudaco Industries Limited

(Incorporated in the Republic of South Africa)
(Registration number 1985/004617/06)
Share code: HDC ISIN code: ZAE000003273
("Hudaco" or "the company")

Notice to shareholders of the 39th annual general meeting (AGM) of Hudaco Industries Limited

Notice is hereby given that the 39th AGM of shareholders of the company for the year ended 30 November 2023 will be held at 11:00 on Wednesday, 27 March 2024 in the boardroom at Hudaco's offices situated at Building 9, Greenstone Hill Office Park, Emerald Boulevard, Greenstone Hill, Edenvale. Registration for attendance will commence at 10:30.

Important dates and times ^{(1), (2)}	2024
Record date for determining which shareholders are entitled to receive the AGM notice	Friday, 16 February
Notice posted to shareholders on or about	Friday, 23 February
Last day to trade to be eligible to participate and vote at the AGM	Tuesday, 19 March
Record date for attending and voting at the AGM ⁽³⁾	Friday, 22 March
AGM to be held at 11:00	Wednesday, 27 March
Results of AGM to be released on SENS on or about	Wednesday, 27 March

Notes

- (1) All times referred to in this notice are local times in South Africa.
- (2) Any material variation of the above dates and times will be announced on SENS.
- (3) The Hudaco board of directors (the board) has determined that the record date for the purpose of determining which shareholders are entitled to receive the AGM notice is Friday, 16 February 2024, and the record date for purposes of determining which shareholders of the company are entitled to participate and vote at the AGM is Friday, 22 March 2024. Accordingly, only shareholders who are recorded as such in the register maintained by the transfer secretaries of the company on Friday, 22 March 2024, will be entitled to participate in and vote at the AGM.
- (4) Kindly note that AGM participants (including shareholders and proxies) are required to provide satisfactory picture identification before being entitled to attend or participate at the AGM. Forms of satisfactory identification include valid identity documents, driver's licences and passports.

Business to be transacted

The purpose of the AGM is for the following business to be transacted and the following ordinary and special resolutions to be proposed:

1. Presentation of audited consolidated financial statements

To present the audited consolidated financial statements of the company (as approved by the board), as well as the reports of the external auditor, audit and risk management committee, social and ethics committee and directors for the financial year ended 30 November 2023, distributed as required.

Copies of the integrated report, which contains the full audited consolidated annual financial statements, for the year ended 30 November 2023 are obtainable from the company's website: www.hudaco.co.za or from the group company secretary.

2. Ordinary Resolution Number 1: To re-elect directors retiring by rotation

To re-elect as directors, each by way of a separate vote, the following directors who are required to retire in terms of clause 21.6.1 of the company's Memorandum of Incorporation ("MOI") and who are eligible and have offered themselves for re-election:

- 2.1 Ordinary Resolution Number 1.1: Re-election of Mr MR Thompson;
- 2.2 Ordinary Resolution Number 1.2: Re-election of Ms N Mandindi; and
- 2.3 Ordinary Resolution Number 1.3: Re-election of Mr GR Dunford.

The nomination committee of the board has reviewed the composition of the board against corporate governance and transformation requirements and has recommended the re-election of the directors listed above. It is the view of the board that re-election of the candidates referred to above would enable the company to:

- responsibly maintain a mixture of business skills and experience relevant to the company and balance the requirements of transformation, continuity and succession planning; and
- comply with corporate governance requirements in respect of matters such as the balance of executive, non-executive and independent directors on the board.

Notice to annual general meeting continued

Brief *curricula vitae* of directors who have offered themselves for re-election are included on pages 20 and 21 of the Hudaco integrated report.

For Ordinary Resolution Numbers 1.1, 1.2 and 1.3 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required.

Note

In terms of clause 21.6.1 of the company's MOI at least one-third of the directors must retire each year and are eligible for re-election. The directors who shall retire shall be the longest serving directors since their last election.

3. Ordinary Resolution Number 2: To elect a director appointed since the previous AGM

To elect as an independent non-executive director, Ms B Bulu, who was appointed by the board during the course of the year and who is required to retire in terms of clause 21.2.6 of the company's MOI and who is eligible and has offered herself for election.

The nomination committee of the board has reviewed the composition of the board against corporate governance and transformation requirements and has recommended the election of Ms B Bulu. It is the view of the board that the election of Ms B Bulu would enable the company to responsibly maintain a mixture of business skills and experience relevant to the company and balance the requirements of transformation, continuity and succession planning.

For Ordinary Resolution Number 2 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required.

A brief *curriculum vitae* of Ms B Bulu is included on page 20 of the integrated report.

4. Ordinary Resolution Number 3: To elect a director appointed since the previous AGM

To elect as an executive director, Mr EJ Smith, who was appointed by the board during the course of the year and who is required to retire in terms of clause 21.2.6 of the company's MOI and who is eligible and has offered himself for election.

The nomination committee of the board has reviewed the composition of the board against corporate governance and transformation requirements and has recommended the election of Mr EJ Smith. It is the view of the board that the election of Mr EJ Smith would enable the company to responsibly maintain a mixture of business skills and experience relevant to the company and balance the requirements of transformation, continuity and succession planning.

For Ordinary Resolution Number 3 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required.

A brief *curriculum vitae* of Mr EJ Smith is included on page 21 of the integrated report.

5. Ordinary Resolution Number 4: To approve the re-appointment of external auditors

To re-appoint Deloitte & Touche (Deloitte) as independent auditors of Hudaco and to note that the individual registered auditor who will undertake the audit for the financial year ending 30 November 2024 is Mr PWM van Zijl.

The audit and risk management committee of the company has concluded that the re-appointment of Deloitte will comply with the requirements of the Companies Act, 71 of 2008 (the Companies Act), the Companies Regulations 2011 and the JSE Listings Requirements and has accordingly nominated Deloitte for re-appointment as auditors of the company.

For Ordinary Resolution Number 4 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required.

6. Ordinary Resolution Number 5: Appointment of the members of the audit and risk management committee

To elect, each by way of a separate vote, the members of the audit and risk management committee of the company, with effect from the end of the AGM:

6.1 Ordinary Resolution Number 5.1: To elect Ms B Bulu as member, subject to the passing of Ordinary Resolution Number 2;

6.2 Ordinary Resolution Number 5.2: To elect Ms N Mandindi as member, subject to the passing of Ordinary Resolution Number 1.2; and

6.3 Ordinary Resolution Number 5.3: To elect Mr MR Thompson as member, subject to the passing of Ordinary Resolution Number 1.1.

Under the Companies Act the audit committee is a committee elected by the shareholders at each AGM. A brief *curriculum vitae* of each of the independent non-executive directors mentioned above appears on page 20 of the Hudaco integrated report.

The board has reviewed the proposed composition of the audit and risk management committee against the requirements of the Companies Act and the Companies Regulations 2011 and has confirmed that the proposed audit and risk management committee will comply with the relevant requirements and have the necessary knowledge, skills and experience to enable the committee to perform its duties in terms of the Companies Act. Accordingly, the board recommends the election of the directors listed above as members of the audit and risk management committee.

For Ordinary Resolutions Numbers 5.1, 5.2 and 5.3 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required.

7. Special Resolution Number 1: Approval of non-executive directors' remuneration

That the remuneration, exclusive of value-added tax, payable to the non-executive directors of Hudaco for their services as directors for the period 1 April 2024 until 31 March 2025, be and it is hereby approved as set out below:

R (excluding VAT)	Proposed 2024		Approved 2023	
	Base fee	Penalty for non-attendance	Base fee	Penalty for non-attendance
Board				
Chairman of the board	1 376 000*	26 000	1 298 000*	24 000
Lead independent director	408 000	22 000	472 000	23 000
Board member	368 000	18 000	347 000	17 000
Audit and risk management committee				
Chairman of the committee	302 000	24 000	302 000	24 000
Committee member	177 000	18 000	167 000	17 000
Remuneration committee				
Chairman of the committee	212 000	24 000	212 000	24 000
Committee member	104 000	17 000	96 000	16 000
Nomination committee				
Chairman of the committee	*	18 000	*	17 000
Committee member	90 000	14 000	70 000	11 000
Social and ethics committee				
Chairman of the committee	196 000	24 000	196 000	24 000
Committee member	92 000	14 000	88 000	15 000

* All-inclusive fee.

The penalty incurred for non-attendance as chairman of a meeting would be paid to the member who stood in as chairman at that meeting.

The fee for additional meetings would be: Chairman – R37 000 (2023: R35 000) and member – R27 000 (2023: R25 000).

Reason and effect of Special Resolution Number 1

This resolution is proposed in order to comply with the requirements of the Companies Act. In terms of section 65(11)(h) of the Companies Act, read with sections 66(8) and 66(9), remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the shareholders within the previous two years, and, only if this is not prohibited in terms of the company's MOI.

Therefore, the reason for and effect of Special Resolution Number 1 is to approve the payment of and the basis for calculating the remuneration payable by Hudaco to its non-executive directors for their services as directors of the company for the period 1 April 2024 until 31 March 2025. The fees payable to the non-executive directors are detailed above. Further details on the basis of calculation of remuneration are included in the remuneration report on page 82 of the Hudaco integrated report.

For Special Resolution Number 1 to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required.

8. Non-binding Resolution Number 1: Approval of Hudaco's remuneration policy

That shareholders endorse, through a non-binding advisory vote, Hudaco's remuneration policy. Hudaco's remuneration policy is set out on pages 70 to 73 of the Hudaco integrated report.

King IV as well as the JSE Listings Requirements require the board (with the assistance of the remuneration committee) to present Hudaco's remuneration policy to the shareholders. This non-binding resolution is of an advisory nature and failure to pass this resolution will therefore not have any legal consequences for existing arrangements. However, should the resolution be voted against by 25% or more of the voting rights exercised, the board undertakes to offer to engage with those opposed to the remuneration policy to ascertain the reasons therefore, and to address appropriately legitimate objections and concerns. The manner and timing of such engagement will be communicated in the voting results announcement.

Notice to annual general meeting continued

9. Non-binding Resolution Number 2: Approval of Hudaco's remuneration implementation report

That shareholders endorse, through a non-binding advisory vote, Hudaco's remuneration implementation report. Hudaco's remuneration implementation report is set out on pages 74 to 82 of its integrated report.

King IV as well as the JSE Listings Requirements require the board (with the assistance of the remuneration committee) to present Hudaco's remuneration implementation report to the shareholders. This non-binding resolution is of an advisory nature and failure to pass this resolution will therefore not have any legal consequences for existing arrangements. However, should the resolution be voted against by 25% or more of the voting rights exercised, the board undertakes to offer to engage with those opposed to the remuneration implementation report to ascertain the reasons therefore, and to address appropriately legitimate objections and concerns. The manner and timing of such engagement will be communicated in the voting results announcement.

10. Special Resolution Number 2: Authorising the provision of financial assistance to subsidiaries

That the board of the company be and it is hereby authorised, to the extent required by and subject to section 45 of the Companies Act and the requirements, if applicable of: (i) the MOI; and (ii) the JSE Listings Requirements, to cause the company to provide direct or indirect financial assistance to a subsidiary or joint venture of Hudaco, provided that no such financial assistance may be provided at any time in terms of this authority after the expiry of two years from the adoption of this Special Resolution Number 2.

Reason and effect of Special Resolution Number 2

In the normal course of business, the company is often required to grant financial assistance to subsidiary or joint venture companies. This assistance includes but is not limited to loans and guarantees for banking facilities. If this authorisation is not granted, it could inhibit the group from making acquisitions or obtaining banking facilities without having to call a general meeting of shareholders on each occasion. Special Resolution Number 2 will enable the company to provide financial assistance to subsidiaries and joint ventures in the Hudaco group for any purpose in the normal course of business.

Section 45 of the Companies Act provides, among others, that financial assistance to subsidiaries and joint ventures must be provided only pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance whether for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the board of directors must be satisfied that: (a) immediately after approving the financial assistance, the company would satisfy the solvency and liquidity test, and (b) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

For Special Resolution Number 2 to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required.

11. Special Resolution Number 3: General authority to repurchase up to 1 544 799 (5%) of the ordinary shares in issue

That Hudaco or any of its subsidiaries be and is hereby authorised, by way of a general approval, to acquire up to 1 544 799 (5%) of Hudaco's ordinary shares (ordinary shares) in terms of section 48 of the Companies Act and the JSE Listings Requirements, being that:

- any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between Hudaco or any subsidiary and the counterparty;
- this general authority shall be valid until Hudaco's next AGM, provided that it shall not extend beyond 15 months from the date of passing of this special resolution;
- an announcement will be published as soon as Hudaco or any of its subsidiaries has acquired ordinary shares constituting, on a cumulative basis, 3% of the number of ordinary shares in issue and for each 3% in aggregate of the initial number acquired thereafter, in compliance with rule 11.27 of the JSE Listings Requirements;
- acquisitions of ordinary shares in aggregate in any one financial year may not exceed 5% of Hudaco's ordinary issued share capital as at the date of passing of this Special Resolution Number 3;
- ordinary shares may not be acquired at a price greater than 10% above the weighted average of the market value at which such ordinary shares are traded on the JSE as determined over the five business days immediately preceding the date of repurchase of such ordinary shares by Hudaco or any of its subsidiaries;
- Hudaco has been given authority by its MOI;
- at any point in time, Hudaco may only appoint one agent to effect any repurchase on its behalf;
- prior to entering the market to repurchase the company's shares, a company resolution authorising the repurchase will have been passed in accordance with the requirements of section 46 of the Companies Act, stating that the board has applied the solvency and liquidity test as set out in section 4 of the Companies Act, and has reasonably concluded that the company will satisfy the solvency and liquidity test immediately after the repurchase; and
- Hudaco and/or its subsidiaries may not repurchase any ordinary shares during a prohibited period as defined by the JSE Listings Requirements unless a repurchase programme is in place and full details of the programme have been submitted to the JSE in writing prior to the commencement of the prohibited period. Hudaco must instruct one independent third party, which makes its investment decisions in relation to the company's ordinary shares independently of, and uninfluenced by, Hudaco, prior to the commencement of the prohibited period.

Before entering the market to effect the general repurchase, the directors, having considered the effects of the repurchase of the maximum number of ordinary shares in terms of the foregoing general authority, will ensure that for a period of 12 months after the date of this notice of AGM:

- Hudaco and the group will be able, in the ordinary course of business, to pay its debts;
- the consolidated assets of Hudaco and the group, fairly valued in accordance with statements of International Financial Reporting Standards, will exceed the consolidated liabilities of Hudaco and the group; and
- Hudaco and the group's ordinary share capital, reserves and working capital will be adequate for ordinary business purposes.

The following additional information, which appears in the integrated report as published on Hudaco's website, is provided in terms of the JSE Listings Requirements for purposes of the general authority to repurchase shares:

- major shareholders – page 143; and
- share capital – note 18 on page 123.

Directors' responsibility statement

The directors, whose names appear on pages 20 and 21 of this integrated report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this Special Resolution Number 3 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statements false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Special Resolution Number 3 contains all information required by law and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in this integrated report, there have been no material changes in the affairs or financial position of Hudaco and its subsidiaries since the date of signature of the audit report and up to the date of this AGM notice.

Reason and effect of Special Resolution Number 3

The reason for and effect of this special resolution is to grant the directors of Hudaco a general authority in terms of the Companies Act and the JSE Listings Requirements for the repurchase by Hudaco, or a subsidiary of Hudaco, of up to 1 544 799 (5%) of its ordinary shares.

For Special Resolution Number 3 to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required.

12. Ordinary Resolution Number 6: General authority to directors to allot and issue up to 1 544 799 authorised but unissued ordinary shares (5% of the shares in issue)

That, as required by and subject to the MOI and the requirements of the Companies Act and the JSE Listings Requirements, from time to time, the directors be and they are, as a general authority and approval, authorised, as they in their discretion think fit, to allot and issue unissued ordinary shares of the company, subject to the following:

- the authority shall be valid until the date of the next AGM of the company, provided that it shall not extend beyond 15 months from the date of this AGM; and
- issues in terms of the authority will not, in any financial year, in aggregate, exceed 5% of the number of ordinary shares in the company's issued share capital as at the date of the AGM.

As explanation for the passing of Ordinary Resolution Number 6, please note that clause 10.4 of the company's MOI, read with the JSE Listings Requirements, provides that shareholders may authorise directors to allot and issue the authorised but unissued shares, as the directors in their discretion think fit.

The authority in Ordinary Resolution Number 6 will be subject to the Companies Act and the JSE Listings Requirements. The aggregate number of ordinary shares able to be allotted and issued in terms of this authority is limited as set out in this Ordinary Resolution Number 5.

In terms of the JSE Listings Requirements, for Ordinary Resolution Number 6 to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required.

13. Ordinary Resolution Number 7: Signature of documents

That any one director or the group company secretary of Hudaco be and is hereby authorised to do all such things and sign all documents and take all such action as they consider necessary to implement the resolutions set out in the notice convening the AGM at which this ordinary resolution will be considered.

For Ordinary Resolution Number 7 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required.

Notice to annual general meeting continued

Quorum

A quorum for the purpose of considering the resolutions above consists of three shareholders of the company, personally present or represented by proxy and entitled to vote at the AGM. In addition, a quorum will comprise 25% of all voting rights entitled to be exercised by shareholders in respect of the resolutions above.

The date on which shareholders must be recorded as such in the register maintained by the transfer secretaries, Computershare Investor Services (Pty) Ltd, to be entitled to attend, participate in and vote at the AGM is Friday, 22 March 2024.

Voting and proxies

To record the votes more effectively and give effect to the intentions of shareholders, voting on all resolutions will be conducted by way of a poll. Any shareholder entitled to attend and vote at the AGM may appoint a proxy to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the company. For the convenience of registered members of the company, a form of proxy is enclosed herewith.

The attached form of proxy is to be completed only by those shareholders who are:

- holding the company's ordinary shares in certificated form; or
- recorded on the electronic sub-register in "own name" dematerialised form.

Shareholders who have dematerialised their ordinary shares through a Central Securities Depository Participant ("CSDP") or broker and wish to attend the AGM must instruct their CSDP or broker to provide them with their voting instruction in terms of the relevant custody agreement/mandate entered into between them and the CSDP or broker.

A form of proxy is attached but may also be obtained on request from the company's registered office. Completed forms of proxy should be returned to the transfer secretaries, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold, 2132), so as to reach them by no later than 11:00 on Monday, 25 March 2024. It may also be emailed to them at proxy@computershare.co.za. Any forms of proxy not submitted in this time may nevertheless be submitted to the transfer secretaries before the AGM or handed to the chairman of the AGM prior to the shareholder exercising any rights of a shareholder at the AGM.

Electronic participation

In terms of section 61(10) of the Companies Act, every shareholders' meeting of a public company must be reasonably accessible within South Africa for electronic participation by shareholders. Therefore, shareholders or their proxies may participate in a meeting by way of video conference if they wish to do so. In this event:

- Hudaco's company secretary must be contacted by email (at the address hudaco@acorim.co.za) by no later than 11:00 on Monday, 25 March 2024 in order to obtain dial-in details for participation;
- valid identification will be required:
 - if the shareholder is an individual, a certified copy of their identity document and/or passport;
 - if the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution, specifying the name of the individual that is authorised to represent the relevant entity at the AGM by way of video conference call as well as a valid email address and/or facsimile number; and
- no electronic voting facilities will be available so shareholders who wish to participate in the meeting by video conference and wish to vote are still required to submit their proxy forms in advance.

By order of the board



N Davies – Acorim Secretarial and Governance Services
Company secretaries

23 February 2024

Transfer secretaries

Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196
(Private Bag X9000, Saxonwold, 2132)

Form of proxy

To: **Computershare Investor Services Proprietary Limited**
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
(Private Bag X9000, Saxonwold, 2132)
email: proxy@computershare.co.za

Hudaco Industries Limited
(Incorporated in the Republic of South Africa)
(Registration number 1985/004617/06)
Share code: HDC **ISIN:** ZAE000003273
("Hudaco" or "the company")

Proxy form for the 39th annual general meeting – for use by certificated Hudaco ordinary shareholders and dematerialised shareholders with own name registration only (see note 1)

For use by Hudaco shareholders at the annual general meeting of Hudaco to be held on Wednesday, 27 March 2024 at Hudaco's offices situated at Building 9, Greenstone Hill Office Park, Emerald Boulevard, Greenstone Hill, Edenvale, Gauteng at 11:00 (the annual general meeting).

I/We

of (address)

(PLEASE PRINT)

being the holder(s) of ordinary shares in the capital of the company, do hereby appoint (see note 2):

1 _____ or failing him/her

2 _____ or failing him/her

3 the chairman of the annual general meeting

as my/our proxy to act on my/our behalf at the annual general meeting, which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of all the above ordinary shares registered in my/our name/s, in accordance with the following instructions:

Please indicate with an "X" in the appropriate box below how you wish to vote.

	Number of ordinary shares		
	For	Against	Abstain
Resolution			
Ordinary Resolution Number 1: To re-elect directors retiring by rotation:			
1.1 MR Thompson			
1.2 N Mandindi			
1.3 GR Dunford			
Ordinary Resolution Number 2: To elect a director appointed since the previous AGM: B Bulo			
Ordinary Resolution Number 3: To elect a director appointed since the previous AGM: EJ Smith			
Ordinary Resolution Number 4: To approve the re-appointment of external auditors			
Ordinary Resolution Number 5: Appointment of the members of the audit and risk management committee:			
5.1 B Bulo (subject to the passing of Ordinary Resolution Number 2)			
5.2 N Mandindi (subject to the passing of Ordinary Resolution Number 1.2)			
5.3 MR Thompson (subject to the passing of Ordinary Resolution Number 1.1)			
Special Resolution Number 1: Approval of non-executive directors' remuneration			
Non-binding Resolution Number 1: Approval of Hudaco's remuneration policy			
Non-binding Resolution Number 2: Approval of Hudaco's remuneration implementation report			
Special Resolution Number 2: Authorising the provision of financial assistance to subsidiaries			
Special Resolution Number 3: General authority to repurchase up to 1 544 799 of the ordinary shares (5% of the shares in issue)			
Ordinary Resolution Number 6: General authority to directors to allot and issue up to 1 544 799 authorised but unissued ordinary shares (5% of the shares in issue)			
Ordinary Resolution Number 7: Signature of documents			

Signed at _____ on _____ 2024

Signature(s) _____

Assisted by me (where applicable) _____

Form of proxy continued

Notes

1. Shareholders who have dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker must either inform their CSDP or broker of their intention to attend the annual general meeting to provide them with the necessary authority to attend or provide the CSDP or broker with their voting instruction in terms of the custody agreement entered into between the beneficial owner and the CSDP or broker.
2. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided. The person whose name appears first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A shareholder's instructions to the proxy must be indicated by "X" in the appropriate box provided on the proxy form. Failure to comply with the above will be deemed to authorise a proxy to vote or abstain from voting at the annual general meeting as he/she deems fit in respect of all the members' votes exercisable at the annual general meeting.
4. The completion and lodging of this form of proxy will not preclude the shareholder from attending the annual general meeting and speaking and voting thereat to the exclusion of any proxy appointed in terms hereof should the shareholder wish to do so (see note 1 above).
5. The chairman of the annual general meeting may reject or accept any proxy form that is completed and/or received, other than in accordance with these notes. Proxy forms received by way of facsimile will be acceptable.
6. Each shareholder is entitled to appoint one or more proxies (none of whom needs to be a shareholder of Hudaco) to attend, speak and vote in place of the shareholder at the annual general meeting.
7. Any alteration to this form of proxy, other than a deletion of alternatives, must be initialled by the signatories.
8. Documentary evidence establishing the authority of the person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by Hudaco.
9. Where there are joint shareholders:
 - (a) Any one shareholder may sign the form of proxy;
 - (b) The vote of the senior (for that purpose seniority will be determined by the order in which the names of shareholders appear in Hudaco's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote/s of the other joint shareholder/s.
10. For administrative purposes only, forms of proxy should be lodged with the transfer secretaries, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or be posted to them at Private Bag X9000, Saxonwold, 2132, or emailed to them at proxy@computershare.co.za, by Monday, 25 March 2024, at 11:00 or thereafter to the company by hand at Hudaco's offices situated at Building 9, Greenstone Hill Office Park, Emerald Boulevard, Greenstone Hill, Edenvale, Gauteng. Any forms of proxy not submitted by this time may nevertheless be submitted to the transfer secretaries before the annual general meeting or handed to the chairman of the annual general meeting prior to the shareholder exercising any rights of a shareholder at the annual general meeting.
11. In terms of section 61(10) of the Companies Act, every shareholders' meeting of a public company must be reasonably accessible within South Africa for electronic participation by shareholders. Therefore, shareholders or their proxies may participate in a meeting by way of video conference if they wish to do so. In this event:
 - Hudaco's company secretary must be contacted by email (at the address hudaco@acorim.co.za) by no later than 11:00 on Monday, 25 March 2024 in order to obtain dial-in details for participation;
 - valid identification will be required:
 - if the shareholder is an individual, a certified copy of their identity document and/or passport;
 - if the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution, specifying the name of the individual that is authorised to represent the relevant entity at the AGM by way of video conference call as well as a valid email address and/or facsimile number; and
 - no electronic voting facilities will be available so shareholders who wish to participate in the meeting by video conference and wish to vote are still required to submit their proxy forms in advance.

Additional forms of proxy are available from the transfer secretaries on request.

Corporate information

Hudaco Industries Limited

(Incorporated in the Republic of South Africa)
(Registration number 1985/004617/06)
JSE share code: HDC
A2X share code: HDC
ISIN code: ZAE000003273

Registered and business address

1st Floor, Building 9
Greenstone Hill Office Park
Emerald Boulevard
Greenstone Hill, Edenvale
(Private Bag 13, Elandsfontein, 1406)
Tel: +27 11 657 5000
Email: info@hudaco.co.za
Website: www.hudaco.co.za

Secretary

Acorim Secretarial and Governance Services
13th Floor, Illovo Point
68 Melville Road
Illovo
Tel: +27 11 325 6363
Email: hudaco@acorim.co.za
Website: www.acorim.co.za

Transfer secretaries

Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue
Rosebank
(PO Box 61051, Marshalltown, 2107)
Tel: + 27 11 370 5000

Auditors

Deloitte & Touche
5 Magwa Crescent
Waterfall City, Midrand

Bankers

Absa Bank Ltd
FirstRand Bank Ltd
Nedbank Ltd
The Standard Bank of South Africa Ltd

Sponsor

Nedbank Corporate and Investment Banking, a division of
Nedbank Limited
135 Rivonia Road, Sandton
(PO Box 1144, Johannesburg, 2000)

Shareholders' diary

Financial year-end	30 November 2023
Annual general meeting	27 March 2024

Reports and financial statements

Summarised report and final dividend announcement	2 February 2024
Abridged financial statements and notice of annual general meeting (mailed to shareholders)	23 February 2024
Interim report and interim dividend announcement	28 June 2024

Dividend payment details

Payment of final dividend	4 March 2024
Payment of interim dividend	12 August 2024

Group directory

DIVISION	BUSINESS NAME	PRINCIPAL ACTIVITIES	ADDRESS
CONSUMER-RELATED PRODUCTS			
Power tools and fasteners	Rutherford	Distributor of Makita power tools, Mercury marine engines and survey instrumentation.	Unit 3A & B City Deep Industrial Park 36 Fortune Street City Deep
	Boltworld	Distributor of a comprehensive range of quality fasteners, including blind rivets, self-drilling screws, hexagonal bolts, nuts and washers.	Unit 3A & B City Deep Industrial Park 36 Fortune Street City Deep
Security and communication equipment	Elvey Security Technologies	Distributor of electronic security equipment, including intruder detection, access control, CCTV, fire detection, electric fencing and specialised products, as well as related consumables.	27 Greenstone Place Greenstone Hill Edenvale
	Pentagon	Distributor of integrated security and life safety solutions, including surveillance, access control, fire detection, public address and perimeter detection products.	27 Greenstone Place Greenstone Hill Edenvale
	Global Communications	Distributor of professional mobile radio communication equipment and radio systems integrator.	27 Greenstone Place Greenstone Hill Edenvale
Data networking equipment	MiRO	Distributor of wireless IP convergence solutions, including network infrastructure, switches and routers, Wi-Fi and hotspot, enterprise wireless, fixed wireless broadband, carrier class wireless, antennas and masts, voice over IP and IP surveillance products.	9 Landmarks Avenue Kosmosdal Ext 11 Samrand
Automotive aftermarket	Abes Technoseal	Distributor of light and heavy duty clutch kits, ignition leads and rotary shaftseals to the automotive aftermarket and hydraulic and pneumatic seals to the industrial and construction equipment market.	3 Wankel Street Jet Park
	Partquip	Distributor of automotive spares and accessories.	61 Trump Street West Selby Johannesburg
	A-Line Wheels	Distributor of alloy and steel wheels.	61 Trump Street West Selby Johannesburg
	Ironman 4X4	Distributor of suspension and accessories to the 4X4 industry.	1 Voortrekker Road Alberante Alberton
Batteries and sustainable energy	Deltec Energy Solutions	Distributor of maintenance-free batteries for automotive, trucking, mining, stand-by, solar utility and electric vehicle applications and a provider of custom-designed energy solutions.	6 Liebenberg Street Alrode Alberton
	Eternity Technologies	Distributor of batteries, high frequency chargers and related battery equipment to the traction battery market. It also designs, builds and manages battery bays for warehouses and distribution centres.	192 Peenz Street Corner Pretoria Road Putfontein Benoni
	Hudaco Energy	Distributor of sustainable power and storage products and solutions, including solar inverters, PV panels, residential, commercial and industrial storage and balance of plant equipment.	6 Liebenberg Street Alrode Alberton
	Specialised Battery Systems	Distributor of stand-by and solar batteries.	23 Golden Drive Morehill Benoni
Gas and outdoor products	CADAC	Distributor of CADAC cooking, heating and outdoor products.	1120 Leader Avenue Stormill Roodepoort
ENGINEERING CONSUMABLES			
Bearings, belting and power transmission	Bearings International	Distributor of bearings, chains, seals, transmission and allied products. Distributor and repairer of geared and electric motors, industrial bevel helical transmissions and drive solutions.	Lancaster Commercial Park Cnr Merlin Rose & Lancaster Ivy Drives (off Atlas Road) Parkhaven Ext 5, Boksburg
	Belting Supply Services	Distributor of conveyor belting, industrial hose, fluid sealing and process control products.	12 Fortune Street City Deep
	Brewtech Engineering	Distributor of plastic and stainless steel slat chains and modular belting and conveyor components. Manufacturer of plastic engineering parts for machines used in food, bottling and mining industries.	12 Fortune Street City Deep
Fire detection, containment and suppression	Brigit Fire	Distributor of fire detection, fire containment protection and fire suppression products and solutions.	10 Ridge Road Laser Park Honeydew

CONTACT


















EXECUTIVES

Tel	011 878 2600	Chris Pillay	Chief executive	Johan Kok	Divisional director	
Fax	011 873 1689	Arusha Matadin	Financial director	Jeanie Manson	Logistics director	
Email	info@rutherford.co.za	Carol Caunter	Divisional director	Melissa Swart	Financial manager	
Tel	011 878 2600	Chris Pillay	Chief executive	Kumarin Vandayar	Divisional director	
Fax	011 873 1689	Arusha Matadin	Financial director	Melissa Swart	Financial manager	
Email	info@rutherford.co.za	Jeanie Manson	Logistics director			
Tel	011 401 6700	Jaco Moolman	Chief executive	Tasha Smith	Sales and marketing	
Fax	011 401 6753	Carlos Esteves	Financial director		director	
Email	sales@elvey.co.za					
Tel	011 401 6700	Jaco Moolman	Chief executive	Tasha Smith	Sales and marketing	
Fax	011 401 6753	Carlos Esteves	Financial director		director	
Email	info@pentagon.co.za					
Tel	087 310 0400	Jaco Moolman	Managing director	Tasha Smith	Sales and marketing	
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Tel	011 634 7600	Lavern Jacobs	Managing director	Rajen Reddy	Logistics director	
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Fax	011 908 6154	Ataliah Matthew	Financial director			
Email	sales@deltec.co.za					
Tel	011 965 0575	Colin Oliver	Managing director	Juan Radley	Financial director	
Fax	011 252 6494					
Email	info@eternitytechnologies.co.za					
Tel	010 447 9864	James Shirley	Managing director	Ataliah Matthew	Financial director	
Fax						
Email	quicksupport@hudacoenergy.co.za					
Tel	011 425 3447	Corné Basson	Managing director	Beatwell Ndhlovu	Financial manager	
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Tel	011 470 6600	Sedick Arendse	Managing director	Sonja du Buisson	Financial director	
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Email	info@bearings.co.za	Daisy Jagarnath	Financial director			
Tel	011 610 5600	Mark Vorster	Managing director	Strini Reddy	Financial manager	
Fax	011 610 5700	Stephan Boshoff	Technical director			
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Tel	011 708 0408	Mark Vorster	Managing director	Kenny Cook	Divisional director	
Fax	011 708 0415	Strini Reddy	Financial manager			
Email	sales@brewtech.co.za					
Tel	011 794 2217	Deon van Zyl	Managing Director	David Esterhuisen	Financial director	
Fax						
Email	info@brigit.co.za					

DIVISION	BUSINESS NAME	PRINCIPAL ACTIVITIES	ADDRESS
ENGINEERING CONSUMABLES continued			
Diesel engines and spares	Deutz Dieselpower	Distributor of DEUTZ diesel engines, DEUTZ spare parts, HJS exhaust gas aftertreatment systems and provider of service support.	5 Tunney Road Elandsfontein
	Ambro Steel	Distributor of engineering steels, solid, round, square, hexagonal and hollow bar steel.	Corner Lamp and Snapper Roads Wadeville
Specialised steel	Sanderson Special Steels	Distributor of special steels and of heat treatment to the tool making and general engineering industries.	18 Junction Street Parow Industria Cape Town
	Bosworth	Manufacturer of conveyor drive pulleys, forging and rollings.	Corner Vereeniging and Juyn Roads Alrode
	The Dished End Company	Manufacturer of end caps on pressure vessels and single pressed weld caps and the pressing and flanging of small conical sections.	30 North Reef Road Elandsfontein Germiston
	Joseph Grieveson	Manufacturer of ferrous and non-ferrous castings.	332 Aberdare Drive Phoenix Industrial Park Phoenix, Durban
	Astore Keymak	Distributor of specialised thermoplastic pipes, fittings and Keymak PVC hose.	Building B 1 Makro Place Sunnyrock, Germiston
Thermoplastic pipes, fittings and equipment	Plasti-Weld	Distributor of plastic welding equipment and manufacturer of plastic welding rods.	45 Golden Drive Morehill Ext 8, Benoni
	Filter and Hose Solutions	Distributor of filtration solutions, customised exhaust systems, kits and accessories.	160 Francis Road Anderbolt Boksburg North
Filtration			
Hydraulics and pneumatics	Dosco Precision Hydraulics	Distributor of hydraulic pumps and motors to the mining, industrial, mobile, marine and forestry industries.	6 Impangela Road Sebenza Ext 6 Edenvale
	Ernest Lowe	Manufacturer of hydraulic and pneumatic equipment.	6 Skew Road Boksburg North
	Gear Pump Manufacturing	Manufacturer and assembler of hydraulic gear pumps.	15 Moody Avenue Goodwood Cape Town
	Hydraulic Engineering Repair Services	Manufacturer and repairer of hydraulic cylinders and repairer of drivetrain components.	1 Setchell Road Roodekop Germiston
	Powermite	Distributor of electric cabling, plugs, sockets, electric feeder systems and crane materials.	Linbro Business Park 47 Galaxy Avenue Frankenwald, Sandton
Electrical power transmission	Three-D Agencies	Distributor of electrical cable accessories.	Linbro Business Park 47 Galaxy Avenue Frankenwald, Sandton
	Varispeed	Distributor of controllers, monitors and regulators of the speed of standard AC motors.	Linbro Business Park 47 Galaxy Avenue Frankenwald, Sandton
GROUP			
Group head office	Hudaco Industries Hudaco Trading		Building 9 Greenstone Hill Office Park Emerald Boulevard Greenstone Hill Edenvale

CONTACT

EXECUTIVES

Tel	011 923 0600	Maurice Pringle	Managing director	Brenton Alexander	Branch network director	
Fax	086 687 9837	Menzi Dumisa	Financial director	Steven Moss	Sales director	
Email	info@deutz.co.za					
Tel	011 824 4242	Rolf Lung	Managing director	Elma Lottering	Financial director	
Fax	011 824 4864					
Email	info@ambro.co.za					
Tel	021 951 5311	Rolf Lung	Managing director	Elma Lottering	Financial director	
Fax	021 951 5316					
Email	info@sanderson.co.za					
Tel	011 864 1643	Gavin Hall	Managing director	Mark Knight	Financial director	
Fax	011 908 5728					
Email	pulleys@bosworth.co.za					
Tel	011 822 4550	Kerry Liebenberg	General manager	Bathabile Mashigo	Financial director	
Fax	011 822 4550	Jennifer Graham	Financial manager			
Email	kerry@tdec.co.za					
Tel	031 507 3640	Darryl Meyer	Managing director	Nkululeko Nxumalo	Financial manager	
Fax	031 500 2687	Juan Radley	Financial director			
Email	sales@josgrieveson.co.za					
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Fax	011 892 2781					
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Email	info@dosco.co.za					
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Fax	011 918 3974					
Email	corporate@elco.co.za					
Tel	021 531 9330	Widor Grobbelaar	Managing director	Randy Pirtle	General manager – USA	
Fax	021 531 7096	Juan Radley	Financial director	Len Jacobs	Managing director – United Kingdom	
Email	sales@gearpumps.co.za	Jody Flores	Financial manager			
Tel	011 825 3690	Erik van der Linde	Managing director	Mzwakhe Mkhabela	Financial manager	
Fax	011 825 6152					
Email	sales@hers.co.za					
Tel	011 271 0000	Jacques van Rooyen	Managing director	Annelie du Toit	Financial manager	
Fax	011 271 0265	Vivek Maharaj	Financial director	Leon van der Vyver	Sales director	
Email	info@powermite.co.za					
Tel	011 392 3804	Rohan Persadh	Managing director	Mark Jenkins	Sales director	
Fax	011 392 3812	Vanessa Naidoo	Financial manager			
Email	sales@three-d.co.za					
Tel	011 312 5252	Derek Gilmore	Managing director	Erika van de Velde	Financial director	
Fax	011 312 5262					
Email	drives@varispeed.co.za					
Tel	011 657 5000	Graham Dunford	Group chief executive	Ernie Smith	Executive director	
Fax	086 682 6779	Clifford Amoils	Group financial director	Cassie Lamprecht	Group accountant	
Email	info@hudaco.co.za	Gary Walters	Acquisitions manager	Rika Wessels-Bouwer	Group treasurer	
Website	www.hudaco.co.za	Esther Nkosi	Transformation and human resources executive	Sonia Liebenberg	Head of risk and internal audit	
				Firdaws Ismail	Group QHSE manager	
				Patrick Nkomo	Strategic projects	

Designations in consumer-related products and engineering consumables segments referring to director denote divisional directorships and not statutory directorships.

