SHAREHOLDERS' SNAPSHOT

Analysis of shareholders

Listed below is an analysis of shareholdings extracted from the register of ordinary shareholders at 31 March 2013

			Number of shareholders	% of total	Number of shares	% of total
1	–	1000 shares	1 404	63.85	433 858	0.34
1 001	–	10 000 shares	455	20.69	1 560 618	1.21
10 001	–	50 000 shares	192	8.73	4 131 809	3.20
50 001	–	100 000 shares	44	2.00	3 013 502	2.34
100 001	–	500 000 shares	68	3.09	16 048 413	12.45
500 001	–	1000 000 shares	17	0.77	13 441 590	10.42
Over	–	1 000 000 shares	19	0.87	90 314 090	70.04
			2 199	100.00	128 943 880	100.00

Type of shareholder	Number of shareholders	% of shareholders	Number of shares	% of issued capital
Public companies	29	1.32	5 547 041	4.30
Banks	17	0.77	3 465 019	2.69
Close corporations	51	2.32	4 792 058	3.72
Individuals	1 791	81.49	41 490 223	32.18
Nominees and trusts	178	8.09	5 628 691	4.37
Other corporations	52	2.33	59 660 648	46.26
Pension funds	39	1.77	1 442 418	1.12
Private companies	42	1.91	6 917 782	5.36
	2 199	100.00	128 943 880	100.00

The number of issued shares of 128 943 880 includes 1 887 570 shares held by the company at year end and cancelled subsequent to that date.

Shareholders' diary

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

Significant shareholdings

At 31 March 2013, insofar as HCI is aware, the following members beneficially held directly or indirectly 5% or more of the issued shares:

	2013	2012
Southern African Clothing and Textile Workers Union and associated entities	39.0	37.8
M.J.A Golding	6.8	6.8
	45.8	44.6

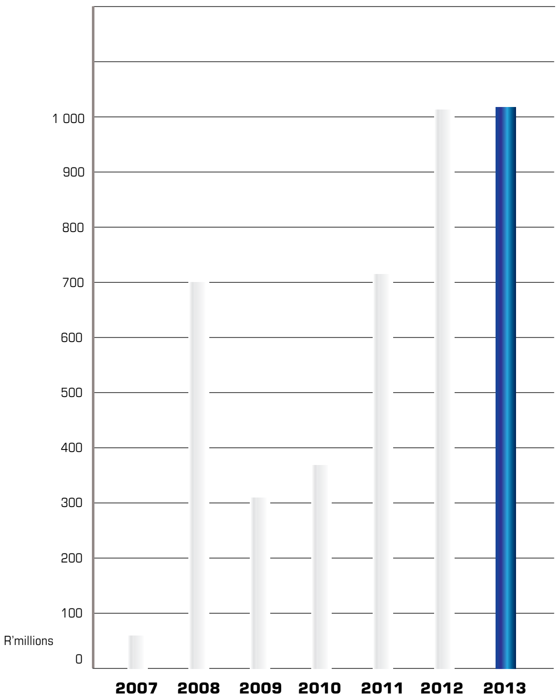
Shareholder spread

	Percentage held		Number of shareholders	
	2013	2012	2013	2012
Public	40.6	42.0	2 186	1 575
Non public	59.4	58.0	13	13
Directors	11.2	11.0	5	6
Associates of directors	4.7	5.3	4	4
Significant shareholder	39.0	37.8	1	1
Share trust	1.6	2.9	1	1
Treasury shares	2.9	1.0	2	1
	100.0	100.0	2 199	1 588

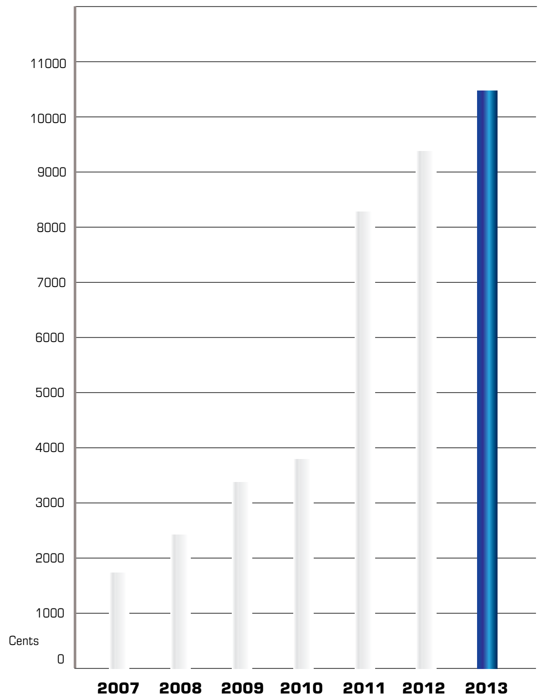
Stock exchange performance	31 March 2013
Total number of shares traded (000's)	25 431
Total value of shares traded (R'000)	2 311 288
Market price (cents per share)	
- Closing	11 253
- High	11 790
- Low	7 912
Market capitalisation (R'000)	14 510 055

GROUP FINANCIAL HIGHLIGHTS

HEADLINE EARNINGS



NET ASSET CARRYING VALUE PER SHARE



		2007	2008	2009	2010	2011	2012	2013
Dividend per share	- cents	50	60	0	60	75	90	**108**
Share price - high	- cents	6 200	9 000	7 850	8 195	8 699	8 744	**11 790**
- low	- cents	3 700	6 040	3 303	3 550	7 205	7 400	**7 912**
- at year end	- cents	6 035	7 700	4 021	7 880	7 799	8 100	**11 253**
Group Revenue	R'm	4 185	8 820	10 920	12 136	6 784	7 612	**8 214**
Net asset carrying value per share	- cents	1 710	2 375	3 371	3 704	8 267	9 259	**10 378**
Shares in issue (net of treasury)	R'000 - average	123 691	124 179	124 692	125 085	126 135	127 149	**126 146**
	- at year end	123 896	123 851	124 909	125 254	127 089	127 198	**123 224**

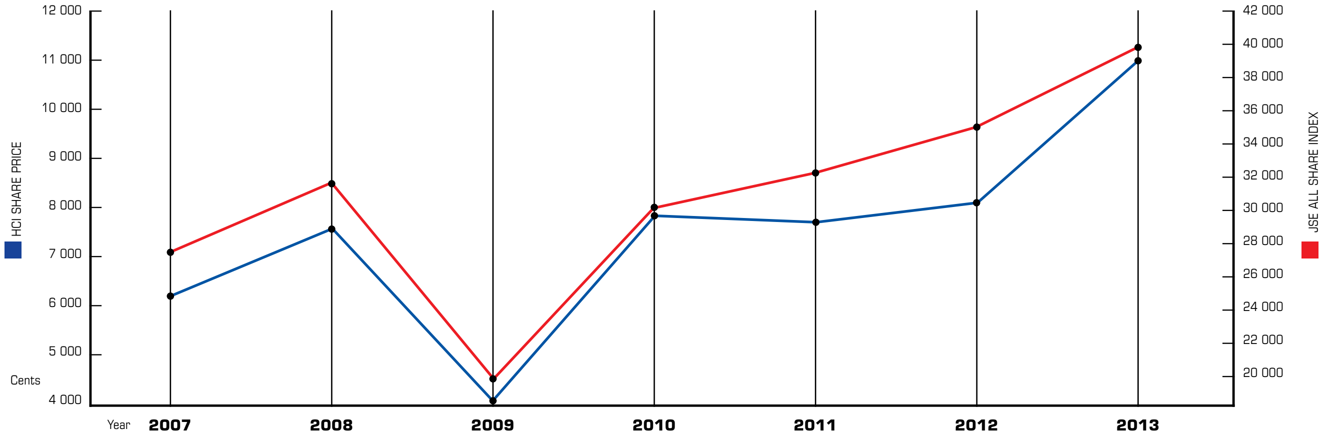
PERFORMANCE HIGHLIGHTS

	2013		2012
		% Change	
* Revenue	**8 214,1 million**	**+8%**	7 611,7 million
* EBITDA	**1 469,6 million**	**-2%**	1 501,9 million
* Profit before tax	**1 900,1 million**	**-1%**	1 924,7 million
* Headline earnings	**1 084,9 million**	**+6%**	1 020,1 million
* Headline earnings per share	**860.07 cents**	**+7.2%**	802.33 cents
* Net asset carrying value per share	**10 378 cents**	**+12.1%**	9 259 cents

TRANSFORMATION AND EMPOWERMENT

	2013
* BBBEE level	**Level 2**
* BBBEE score	**89.44**
* Enterprise spend	**R 26m**
* Social development spend	**R 27m**
* Employee skills development	**R 21m**
* Reduction in Scope 1 and 2 emissions	**9.6%**

HCI SHARE PRICE vs JSE ALL SHARE INDEX



JOHN COPELYN MARCEL GOLDING KEVIN GOVENDER YUNIS SHAIK MORETLO MOLEFI

EXECUTIVE DIRECTORS

JOHN COPELYN (63)
Chief Executive Officer
B.A. [Hons] B.Proc

John joined HCI as chief executive officer in 1997.Prior to this he was a member of parliament and general secretary of the Southern African Clothing and Textile Workers Union.He is chairman of e.tv, Seardel Investment Corporation, Tsogo Sun Holdings and the HCI Foundation.

KEVIN GOVENDER (42)
Financial Director
B.Compt [Hons]

Kevin is the financial director of HCI. He joined the HCI group in 1997 where he has also held the position of company secretary and financial officer from 2001. He holds directorships in several HCI subsidiaries and is a trustee of the HCI Foundation. He was appointed to the HCI Board as an executive director in June 2009.

MARCEL GOLDING (53)
Executive Chairman
B.A. [Hons]

Marcel joined HCI as chairman in 1997. Prior to this he was a member of parliament and deputy general secretary of the National Union of Mineworkers. He is chairman of Golden Arrow Bus Services and KWV Holdings and chief executive officer of SABIDO.

MORETLO MOLEFI (44)
Independent Non-Executive Director
BSc MBChB Telemed [dip] SMP

Moretlo is a businesswoman with interests in the health sector. Prior to this she was the director of the Telemedicine program at the Medical Research Council of SA; consultant for Aspen Pharmacare and COO of Safika Health. She currently serves as a board member of e.tv, Niveus Investments, International Society for Telemedicine and eHealth and vice president of SA Telemedicine Association. She was appointed to the board of HCI in December 2006.

YUNIS SHAIK (55)
Independent Non-Executive Director
B.Proc

Yunis is an attorney of the High Court and presently in private practice. He serves as an acting judge in the Labour Court. He is a former deputy general secretary of the Southern African Clothing and Textile Workers Union and a director of Workers' College. He has served as a senior commissioner to the CCMA in KwaZulu Natal. He is a director of Tsogo Sun Holdings, Seardel Investment Corporation and Niveus Investments. He was appointed to the HCI Board in August 2005 and as lead independent non-executive director of the HCI board in August 2010.

BARBARA HOGAN FREDDIE MAGUGU ELIAS MPHANDE VIRGINIA ENGEL JABU NGCOBO

NON-EXECUTIVE DIRECTORS

BARBARA HOGAN (61)
Independent Non-Executive Director

BA [Hons] (Development Studies)
Barbara worked at the Development Bank of South Africa as an institutional specialist until her appointment as a member of parliament in 1994. She served as chair of numerous committees including the budget committee, finance portfolio committee the standing committee of the auditor-general. She was appointed to cabinet as minister of health in 2008 and then as minister of public enterprises in 2009. She was appointed to the board of HCI as a non-executive director in August 2012.

VIRGINIA ENGEL (63)
Non-Executive Director

Virginia, was employed as chief executive officer of the HCI Foundation from 2004 – 2012 until her retirement. Previous to this she was the coordinator of the SACTWU Welfare Trust. She was private secretary to Nelson Mandela during the last two years of his presidency. She was appointed to the Board of HCI as non-executive director in January 2004.

FREDDIE MAGUGU (53)
Independent Non-Executive Director

Freddie worked for the Southern African Clothing and Textile Workers Union from 1982, reaching the position of national organising secretary which he held from 1993 to 1998. He was the senior development manager at Unibank from 1999 to 2002. He was appointed to the board of HCI as a non- executive director in April 1998.

JABU NGCOBO (62)
Independent Non-Executive Director

Jabu was the regional secretary for Africa of the International Textile Garment and Leather Workers Federation from 1999 to 2006, Prior to this appointment he held the position of general secretary of the Southern African Clothing and Textile Workers Union for 6 years from 1994 to 1999. Jabu was appointed to the board of HCI as a nonexecutive director in October 2004. He also serves on the board of Tsogo Sun Holdings, Niveus Investments and HCI Coal.

ELIAS MPHANDE (55)
Non-Executive Director
Elec. Eng. [dip]

Elias was the national organising secretary of the Southern African Clothing and Textile Workers Union from 1990 to 1995. He subsequently served as CEO of AUTA (1996 – 2000), marketing director of Viamax Fleet Solutions, a subsidiary of Transnet (2001-2005) and CEO of the Vukani Group (2006 – 2010). He served as chairman of Golden Arrow Bus Services for four years until 2010. He was appointed to the HCI Board in September 2010 as a non-executive director. He also serves on the board of Tsogo Sun Holdings, Vukani Gaming Corporation and e.tv.

MJA Golding
Chairman

Overall

We are happy to report that our business grew at a little over 18% in adjusted headline earnings over the year. This is a rate that the Chinese economy can only dream about! Admittedly, the Chinese probably dream in US dollars and we only grow in SA Rands, but the performance underlying the heart of the HCI value proposition remains a very satisfactory one.

Our debt at the centre of the group was just over R1,2 billion at year-end which is around 1,2 times profit and 2 times annual cash flowing from operating activities. We believe that this is an acceptable level, particularly as the terms thereof are staggered over seven years.

Decentralisation:

The Group has a consistent history of releasing value to its shareholders within a framework of retaining sufficient cash from successful investments to fund both the group debt and the growth of new business in the group.

Following year-end 2012, we were pleased to announce the separate listing of Niveus Investments Limited ("Niveus") which would hold three, key growth assets of the group, namely its non-casino gaming assets (Vukani and Galaxy Bingo) and its holdings in the liquor industry (KWV Holdings). HCI retained a majority stake in Niveus and subsequent developments have reflected healthy progress. The market has had a favourable reaction to the listing which has seen its stock appreciate considerably. Niveus succeeded in acquiring an additional 11% of KWV, bringing its holding in that company to 51% in exchange for its rerated shares. Niveus has continued to grow strongly, as we had hoped.

Subsequent to 2013's year-end, we recently obtained permission from the JSE to reverse our media holdings into Seardel. The transaction was approved by Seardel shareholders in August. This transaction will give the market far more direct access to e.tv, eNCA and other key media assets of the Group. Again, the market appears to appreciate the proposed transaction and our hope is it will allow a more transparent view of the value underlying the HCI share. The transaction is structured so as to preserve the flow of cash from the underlying companies to HCI.

Core assets

There are three assets in HCI which have traditionally provided us with the means to fund growth opportunities. These are Tsogo Sun Holdings ("Tsogo"), Sabido Investments ("SABIDO") and Golden Arrow Bus Services ("GABS"). While we instinctively avoid forward-looking statements, to some extent we vary with that this year, mainly as each of these three companies face challenges which could have significance on its future. It thus seems appropriate to spell out some aspects of the problems and opportunities that each of these companies face.

First up is Tsogo, the hotel and casino business, which is the largest single investment that HCI holds. The past year has seen the company buy out minorities from its licenced casino in Durban, its second most valuable property. In addition, it managed to settle a long-standing dispute with the Gauteng regulators, the effect of which has been to allow it to increase the number of gaming positions at licences which it controls in that region by a total of 1 500 machines. In turn, this has enabled the group to embark upon major renovations and expansions at its Gauteng casinos. A key question to be answered is whether these investments will significantly increase Tsogo's share of the casino revenue in Gauteng when they are completed.

Both the Mpumalanga and Western Cape Provinces have indicated their intention to enable operators to increase the number of gaming positions they operate in those areas. In the case of Mpumalanga, Tsogo responded to an a request for proposal for the last casino licence not yet awarded in that region by submitting a substantial proposal for the building of a new casino at Delmas. In the case of the Western Cape, while it has been inexplicably slow in executing the policy, the Region announced a couple years ago that one of the casinos operating in outlying areas would be allowed to move to Cape Town as a second, licenced casino in the main metropole. In both these cases, provided the Regional authorities execute their announced policies, Tsogo has prospects of significantly increasing its number of licenced gaming positions over the next couple of years.

HCI's media opportunities arise essentially from a worldwide migration of analogue to digital broadcasting. As South Africa's second most-watched television channel, e.tv is strongly positioned to take on the challenge of the new multi-channel and multi-platform environment which will be brought about by digital broadcasting. Sabido is essentially platform-agnostic and will seek to distribute its content on all platforms, including digital terrestrial transmission (DTT), satellite and the internet. This is undoubtedly a very exciting time for our media division as the advent of digital broadcasting will give it the opportunity to increase market share of the free television audience, as well as considerably vary its broadcasting content in a multi-channel environment. On the other hand there are not insignificant costs in providing multi-channel content and more associated with differing platforms. Ultimately any multi-channel offering will still be drawing audiences and revenue from the same total television market and fragmentation of audiences and revenue will present a challenge to all free-to-air operators.

GABS has for a great many years been obliged to operate with only a short-term contract. This has been a fundamentally unacceptable way to operate and has compelled us to take long-term capital risk, such as developing new bus depots and buying new buses, without the security of any commensurate contractual agreement with the state. Of late, the City has been rolling out its MyCiti buses and allocating contracts to operate them on the basis that GABS is a ten-percent participant. Needless to say, HCI finds this trend very disturbing. This amounts to a non-tendered contractual allocation of a key service in the city, quite apart from a number of very real concerns we have at the completely unsustainable cost of operation, ensuing from the manner in which the contracts have been structured. Worst of all is the complete indifference of the contracting authority to the enormous commitment to promoting safe, modern public transport demonstrated by GABS under HCI ownership. GABS has been obliged to take legal steps to protect its business.

Be all this as it may, we have held several meetings with the City management and the Province, and there is a commitment by all to participating in a mediated process of trying to reach an accord on a stable and sensible path forward which will hopefully not disadvantage GABS, and will promote the development of safe and effective public transport for the city. The coming year will clearly determine the character of GABS's future on a much longer-term basis. In the meantime HCI remains committed to buying new buses each month - as has been its practice for the last several years - and, thereby, to ensure Cape Town has the most modern fleet on the continent.

JA Copelyn
Chief Executive Officer

Growth assets

This year our mining company produced solid results for its operations at Palesa. The proceeds were all re-invested in developing the Mbali mine. Our section 11 transfer of the rights to Mbali has now been granted and we are currently ready to start mining at this second site which should see significant profit from the combined production starting to be available to the group going forward. We have reached agreement with the National Union of Mineworkers ("NUM") for wage increases for the next three years at Palesa.

HCI Properties has continued to develop properties secured during the previous financial year. In both Upington and Sea Point the construction work is in full progress and the centres are expected to open in December 2013. During the year under consideration, we also purchased jointly, with Tsogo, a stake in an office park development abutting Montecasino.

Struggling businesses

As we reported in our interims, natural gas prices in the USA were exceptionally low and the business cannot hope to make money at that level in the commodity cycle. We continued to invest counter-cyclically and opened our next landfill gas-to-electricity project at Tulsa on schedule. There were some initial difficulties with the quality of gas at the site which resulted in the volumes of electricity being lower than expected but these have been resolved and Tulsa is now operating at its projected levels.

Gas prices continue to improve this year and we have sold forward to lock in the NYMEX forward curve to ensure trading for 2014 for the same volume of gas is at a far more successful level than last year.

Formex has now been placed under the management control of Seardel manufacturing management and this seems to have stabilised the company for the moment. Formex needs to trade for another year or two before its debt levels reduces to satisfactory levels.

Seardel clothing in Cape Town has remained a heavily loss-making operation despite all efforts to improve it. While the rest of the group has effectively been turned around, the clothing operations of the group have unavoidably had to be significantly curtailed as a result.

Developments in the group

Financial 2013 has witnessed the usual complexity of development projects in the Group. As mentioned earlier there are major renovations and expansions at the Silverstar and Gold Reef properties of Tsogo. We completed phase one of the re-development of the Elangeni and Maharani complex in Durban into a consolidated 700-room hotel complex, we commenced work on doubling the size of Southern Sun Maputo, and purchased significant property in Ikoyi, Lagos. The Group also bought back a key minority stake in the Sun Coast Casino in Durban.

We commissioned the construction of a new 5 megawatt facility at AEL Tulsa U.S.A, which has been completed and is operating satisfactorily, likewise Mbali mine was further developed and is now in a position to commence mining.

As stated, the development of the shopping centres at Upington and Sea Point are well under way. Similarly, the Mobeni property of Seardel in Durban has been substantially renovated and rented out to external tenants with effect from July 2013.

Galaxy Bingo acquired two new licences in the Eastern Cape and has completed its development at Amanzimtoti in KZN.

Sustainability:

At Group level we conduct our CSI work through the HCI Foundation. We aim to try to maintain CSI spend at Group level at approximately 3% of PAT. For many successful companies this is about the level of total dividends to shareholders. In our case it is more than three times the dividend level.

Our ability to continue at this relatively high level depends on whether the implied level of CSI spend can be sustained by the value of our Foundation's capital base. Happily, over the last three years we have been able to achieve this without spending more than 7% of that capital base in a single year. The capital base of the Foundation is currently comprised almost exclusively of HCI shares. The increase in value thereof has kept pace with the escalation in the Foundation's programme costs. Hopefully this will continue into the future. Over 900 bursaries were awarded last year and our results were well above the national average. We are proud of the fact that dozens of managers of the group have volunteered to mentor a bursary recipient. We believe that this is not only good for the bursary recipient but, crucially, also for our management teams.

BEE

HCI has prided itself for over a decade as being one of the very few companies listed on the JSE which has a majority Black ownership. Our ability to maintain this has depended on two factors. First and foremost has been the need to avoid unnecessarily diluting our BEE shareholders by issuing more listed paper. We have been exceptionally careful in this regard and have essentially limited ourselves to funding acquisitions primarily through the re-investment of the Group profits, occasional disposals of assets, and by raising debt. In truth we have only half the shares in issue today that we had in 1997 when we took over the Group. It is pretty much the reason why HCI has never had a very strong dividend practice.

The second factor is, of course, the ability of BEE shareholders to retain their holdings in HCI. In this regard the decision of our primary BEE shareholder, SACTWU, to maintain its current 40% holding has been fundamental to the group's BEE status. Happily, they have done well out of this loyalty with the share price growing from R2,50 to R121 over the period, more than a 25% per annum compound growth rate, excluding all dividends and unbundlings over the entire period.

Several trade unions face disenchantment by significant swathes of their members who feel that they have grown somewhat distant from the needs of their members. This trend has created significant pressures on SACTWU to ensure that its investment company is put to best use, as its members see it. Unquestionably, these members face enormous challenges, with the steady erosion of the industry and endless retrenchments in this sector across the country. The outcome has been an agreement between HCI and its major shareholder to dispose of a portion of its interest in its media assets to SACTWU in exchange for repurchasing some of its shares in HCI. The net effect of this transaction is that the union will considerably strengthen its cash flow from its investment company and have the ability to introduce major new benefits for its membership at its coming Congress. While we are hopefully contributing to the real needs of our most important shareholder, the transaction is equally beneficial for the remaining HCI shareholders and appears to us to be a sensible way of mutually accommodating each other's requirements.

Nedlac Accords

One of the truly unique features of South Africa's democracy has been the establishment of the tripartite National Economic Development and Labour Council ("Nedlac") where organised labour, employer associations, NGO's and government interact with a view to establishing broad-based consensus around policies which promote development of the country. Over the last couple of years two key national accords have been reached, the first concerning education and, more recently, the youth employment accord.

HCI has committed itself to promote these accords in its business practices. The work we have been doing in relation to primary and secondary school education, as set out more fully on pages 64 and 65 of the report, is our effort to identify ourselves with the education accord.

This year, we report in some detail on our proposed efforts in relation to the youth accord. Realistically, our ability to increase employment within the Group is circumscribed by economic opportunity, but the group's commitment to growth should enable it, over time, to generate more jobs. We recognise the importance of being thoughtful as to whom we reach out in relation to such job creation and accept the responsibility of doing so within our means in relation to categories of our population that are worst affected by problems of unemployment. We hope, in general, that our group is emerging as a significant contributor to good governance and socially conscientised-business practices within the framework of building a sustainably profitable corporation.

Environmental issues

Measurement of our carbon footprint has improved significantly since our last reporting and a significant proportion of the increases in these measurements is simply a reflection of more comprehensive recording. On the other hand, the group's total emissions, including Scope 3 emissions, are largely offset by the positive contribution of Montauk's outputs.

Appreciation

Finally, we would like to express our thanks to the broad range of people who constitute the backbone of the various subsidiaries of our group, as well as the board of directors, and our appreciation of their committed contributions over the year.

CORPORATE GOVERNANCE

Ethical conduct, good corporate governance, risk governance and fair remuneration are fundamental to the way that HCI manages its business. Stakeholders' interests are balanced against effective risk management and HCI's obligations to ensure ethical management and responsible control.

Ethics

The group has a code of conduct which underpins its business practices. All directors, officers and staff are expected to adhere to this code. It provides guidance and clarification on matters such as conflicts of interests, acceptance and giving of donations and gifts, the compliance with laws and the dissemination of group confidential information.

In line with the principles in this code, it is expected of all directors, managers and employees to be accountable for their actions and act in a manner that will position the group as being:

- Transparent, honest and frank in its dealings with stakeholders;
- Consistent and committed in honouring its legal and moral obligations;
- Committed to upholding high standards of ethics;
- Well-respected with regards to integrity and credibility; and
- A responsible corporate citizen of the countries in which it operates.

The directors, officers and senior management of Hosken Consolidated Investments Limited (HCI) and its subsidiaries remain committed to a high level of corporate governance and endorse the Code of Corporate Practices and Conduct as enshrined in the King III Report on Corporate Governance. The Group recognises that sound corporate governance practices enhance shareholder value and by conducting the Group's affairs with integrity will ensure the long-term sustainability of the business.

Application of King III principles

HCI believes that, in all material respects, it complies with the major recommendations of the code to ensure that sound corporate governance and structures are applied within the Group. Alternatives to the King III recommendations can be applied to further the best interests of the company, as long as the overarching principles of good corporate governance are achieved. More detailed explanations have been accorded below to those principles which have not materially complied with recommendations by King III. The board monitors compliance to ensure ongoing improvement of operational and corporate practices and that the affairs of the group are conducted with transparency and integrity.

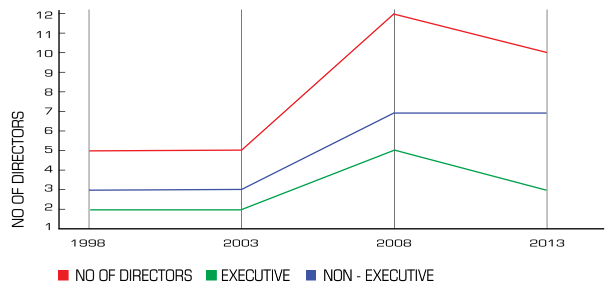
Board of directors

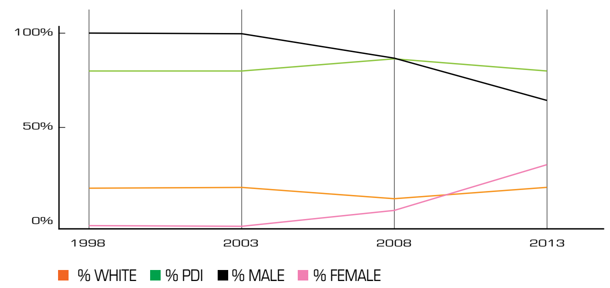
The board is regulated by a formal board charter, which sets out the role of the board and the responsibilities of the directors. The board maintains full and effective control over the company and is accountable and responsible for its performance. The board charter codifies the board's composition, appointment, authorities, responsibilities and processes, and sets out the fiduciary duties of the directors of the company. It provides the board with a mandate to exercise leadership, determine the group's vision and strategy and monitor operational performance.

Composition of the board

The composition of the board is in compliance with Principle 2.18 which recommends that the board should comprise a balance of power, with a majority of non-executive directors, the majority of the latter should be independent. The board currently comprises of three executive directors and seven non-executive directors of which 5 are independent. The composition of the board reflects the need to protect the interest of all stakeholders as well as the demographics of the country. The majority of the board members are previously disadvantaged individuals as defined in the Employment Equity Act. A maximum of 12 directors can be appointed to the board as per the memorandum of incorporation.

	Directors			White	PDI	Male	Female
Year	Total	Exec	Non-Exec	%		%	
1998	5	2	3	20	80	100	0
2003	5	2	3	20	80	100	0
2008	12	5	7	16.7	83.3	83.3	16.7
2013	10	3	7	20	80	70	30





The executive directors are the executive chairman (Mr MJA Golding), chief executive officer (Mr JA Copelyn) and the financial director (Mr TG Govender). All of the executive directors have entered into three year service contracts with the company.

These contracts have been approved by the remuneration committee and define the terms of employment of the executive directors. Where appropriate, the chief executive officers and executive directors of subsidiary companies have entered into service contracts with that subsidiary.

The roles of the chairman and chief executive officer are separated.

The non-executive directors are Ms VM Engel and Mr VE Mphande who have, in the past 3 years, been employed by the HCI Foundation and a subsidiary of the Group respectively.

The independent non-executive directors are Ms BA Hogan, Mr MF Magugu, Dr LM Molefi, Mr JG Ngcobo and Mr Y Shaik. Mr Y Shaik has been appointed as lead independent director.

To uphold their independence and integrity, directors disclose all material interests as and when they arise. A list of director's interest is tabled annually.

The directors are entitled to seek independent professional advice at the company's expense concerning the company's affairs and have access to any information they may require in discharging their duties as directors. Seminars, workshops and lectures by leading experts in their fields are given on an on-going basis to directors to assist in their duties.

In terms of the company's Memorandum of Incorporation, one-third of directors must retire at every annual general meeting and are eligible for re-election. The directors who retire shall be those who have been longest in office since their last election. Any director, who has held office for three years since the last election, shall also retire at the conclusion of the annual general meeting. A retiring director shall be eligible for re-election, and if re-elected, shall be deemed not to have vacated office. The directors retiring by rotation at the forthcoming annual general meeting are Mr VE Mphande; Ms VM Engel and Dr LM Molefi who offer themselves for re-election. The name and brief curriculum vitae of each director appear on pages 34 and 35 of this report.

In terms of the company's Memorandum of Incorporation, there is no mandatory retirement age for non-executive directors. Non-executive directors do not have a fixed term of appointment with the company.

Meetings of the board

During the year there were four board meetings. The directors are comprehensively briefed in advance of the meetings and are provided with all necessary information to enable them to discharge their responsibilities. Individual directors' attendance at the board and committee meetings are set out in the table below:

	Board				Audit				Remuneration			Social and Ethics	
					Members: Y Shaik; LM Molefi: BA Hogan				Members: MF Magugu JG Ngcobo			Members: JA Copelyn; MJA Golding; LM Molefi; JG Ngcobo	
	May	Aug	Nov	Mar	May	Aug	Nov	Feb	May	Aug	Mar	May	Aug
JA Copelyn	√	√	√	√								√	√
VM Engel	x	√	√	√									
MJA Golding	√	√	√	x								x	√
TG Govender	√	√	√	√									
BA Hogan	**	√	√	√	**	**	√	√					
MF Magugu	√	√	√	√					√	√	√		
LM Molefi	√	√	√	√	√	√	√	√				√	x
VE Mphande	x	√	√	√									
JG Ngcobo	√	√	√	√					√	√	√	√	√
Y Shaik	√	√	√	√	√	√	√	√					

√ - in attendance
X - absent
** - not applicable – appointed 29th August 2012

Board committees

Three board committees and an executive committee have been established to assist the board in discharging its responsibilities. In line with King III, all board committees comprise of only members of the board but appropriate personnel are invited to the meetings as required. All committees are empowered to obtain such external or other independent professional advice as they consider necessary to carry out their duties. These committees play an important role in enhancing good corporate governance and improving internal controls and consequently the company's performance. Each board committee acts according to written terms of reference, approved by the board and reviewed annually, setting out its purpose, membership requirements, and duties and reporting procedures.

Each of the company's major subsidiaries has established board and committee structures which submit regular reports to the company. This ensures the maintenance of its duties.

Audit committee

Members: Y Shaik (chairman); BA Hogan and LM Molefi.
A report by the HCI audit committee has been provided on page 47 of this integrated report.

Remuneration committee

Members: MF Magugu (chairman) and JG Ngcobo.
A report by the HCI remuneration committee has been provided on page 49 of this annual report.

Social and ethics committee

Members: LM Molefi (chairperson); JG Ngcobo, JA Copelyn, MJA Golding
A report by the HCI social and ethics committee has been provided on page 56 of this integrated report.

Financial director

Mr TG Govender, an executive director, is the financial director of the group. The audit committee has considered his expertise and experiences and deems it appropriate. The committee is also satisfied that the expertise, resources and experience of the finance function is adequate.

Company secretariat

HCI Managerial Services Proprietary Limited, a juristic personality, is the appointed company secretary of the Group and appointed by the board in terms of the Companies Act and in accordance with JSE Listing Requirements. The company secretary is not a director of the company. The board has assessed the directors and the designated staff of the company fulfiling the role of the company secretariat and is satisfied that they have the competence, qualifications and experience to effectively fulfil the role of company secretary.

The company secretariat provides support and guidance to the board in matters relating to governance, ethical conduct and fiduciary duties. Where required, the secretary facilitates induction and training for directors and co-ordinates the annual board evaluation process. Directors have unrestricted access to the advice and services of the company secretary whilst maintaining an arms-length relationship between the board and the company secretary.

Dealing in the company's securities

HCI complies with the continuing obligations of the Listings Requirements of the JSE. A group-wide share trading policy is in place whereby all directors and employees who have access to financial results and other price-sensitive information are prohibited from dealing in HCI shares during certain prescribed restricted periods as defined by the JSE or when the company is operating under a cautionary announcement. The company secretary regularly disseminates written notices to inform these employees of the insider trading legislation and advise of closed periods. All directors and senior executives are required to obtain written clearance prior to the dealing in shares of the company and to report all share dealings to the company secretary, to ensure that all such dealings are disclosed in terms of the applicable JSE listings requirements.

Conflicts of interest

The directors are required to avoid situations where they have direct or indirect interests that conflict or may conflict with the group's interests. Procedures are in place for disclosure by directors of any potential conflicts and for appropriate authorisation to be sought if conflict arises.

Compliance with laws, codes and standards

HCI respects and complies with the laws of the countries in which it operates. This includes corporate laws, common law as well as specific laws, including regulations of all the gambling boards, mining and energy laws. The Group operates in a highly regulated environment and where necessary, compliance officers have been appointed at each of the Group's key operating subsidiaries and associated company levels for ensuring adherence to the various Acts and Codes that govern the day-to-day operations. Each company has its own board of directors responsible for the management, including risk management and internal control, of that company and its business.

Disclosures

To ensure shareholder parity, HCI ensures that accurate and timely disclosure of information that may have a material effect on the value of its securities or influence investment decisions, is made to all shareholders. The company publishes details of its corporate actions and performance via the Stock Exchange News Service ("SENS") and in the main South African daily newspapers. The company maintains a website through which access is available to the broader community on the company's latest financial, operational and historical information, including its annual report.

Litigation

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

Governance of information technology

Due to the inherent risks in information technology, King III has recommended that the board of directors be responsible for the assessment, implementation and monitoring of IT within the company. The board of directors of HCI acknowledges the need for an IT Governance Framework which, if effectively managed, can streamline and add value to the underlying businesses. Information technology (IT) governance is the responsibility of the board of directors, forms an integral part of the Group's risk management and is assisted by the audit and risk committees in carrying out its IT responsibilities.

Due to the diverse nature of HCI's business operations, IT plays different roles within the group. Processes are being implemented at major subsidiary companies to address the requirements of King III at strategic levels within the companies. At a group level, HCI does not believe it is necessary to employee a chief information officer as recommended by King III. The major subsidiaries do employee chief information officers. The audit committee is responsible for the monitoring of IT compliance within the subsidiaries.

Governance framework

The directors, officers and senior management of HCI and its subsidiaries remain committed to a high level of corporate governance and endorse the Code of Corporate Practices and Conduct as enshrined in the King III Report on Corporate Governance. The Group recognises that sound corporate governance practices enhance shareholder value and by conducting the Group's affairs with integrity will ensure the long-term sustainability of the business.

The company has utilised the Governance Assessment Instrument ("GAI") of the Institute of Directors as the due process by which assurance is provided that every recommended practice in King III has been considered.

Assurance of the accuracy and validity of these results is provided by executives, the audit committee chair and the board of directors, by their review of the following reports printed off the GAI:

- Explanation register
- Exceptions listing, and
- A detailed governance register of all the practices

The GAI assists in the following ways:

- Evaluating implementation of governance structures and processes as recommended in King III;
- Enabling ongoing tracking of progress on implementation of King III, understanding that it is a process;
- Providing a simplified framework to the board for a risk-based review of the application of King III, without voluminous reading;
- Facilitating a meaningful scoring mechanism reflective of an organisation's adoption of King III;
- Providing a framework by which governance can be assured by independent service providers;
- Giving holding companies a concise view of their subsidiaries' governance status;
- Providing an audit programme for internal and external service providers; and
- Offering a reporting benchmark to stakeholders for peer-to-peer comparison of organisations, enhancing confidence in governance reporting.

Practices are either applied or not applied; the latter carrying an explanation of a compensating practice, or alternatively the reason for non-application. The extent of the Principles application of the practices is confirmed by the GAI by way of a rating as follows:

Ratings key

AAA	–	Highest application
AA	–	High application
BB	–	Notable application
B	–	Moderate application
C	–	Application to be improved
L	–	Low application

The company received a rating of AA.

Below is the King III Chapter 2 summary as required by the JSE listings requirements. For the detailed King III application register please visit the company website: www.hci.co.za

KING III CHAPTER 2 - APPLICATION REGISTER

KING III PRINCIPLE	COMMENTS ON APPLICATION IN 2013
Principle 2.1: The board acts as the focal point for and custodian of corporate governance	The board has a charter setting out is role, powers and responsibilities. All subsidiary companies have implemented and adopted their own governance policies, processes and procedures.
Principle 2.2: The boards appreciates that the strategy, risk, performance and sustainability are inseparable	The evidence of principle 2.2 is evidenced throughout the integrated report.
Principle 2.3: The board provides effective leadership base on ethical foundation	All deliberations, decision and actions of the company are based on sound ethical values which are evidenced throughout the integrated report.
Principle 2.4: The board ensures that the company is, and is seen to be, a responsible corporate citizen	The board continuously monitors the effect any decision implemented would have on sustainability and the company's reputation. The company's strong commitment to corporate citizenship is evidenced throughout the integrated report.
Principle 2.5: The board ensures that the company ethics are managed effectively	The social and ethics committee reviews feedback from all subsidiary companies. The board is regularly updated by the committee.
Principle 2.6: The board should ensure that the company has an effective and independent audit committee	The audit committee consists of 3 effective independent non-executive directors. The audit and risk terms of reference, which are reviewed annually, deal with composition, objectives and reporting mechanisms.
Principle 2.7: The board should be responsible for the governance of risk	The audit and risk committee fulfils the role of the risk committee. (refer to principle 2.6.) The audit/risk committee considers the risk policy and plan and implementation thereof and reviews the risk management progress; effectiveness; key risks and responses of the company at holding and subsidiary levels from governance through to risk reporting.
Principle 2.8: The board should be responsible for information Technology (IT) governance	The audit and risk committee reviews the subsidiary companies on a quarterly basis through the risk reports, as well as through the annual King III compliance assessment on the Information Security Management Systems implemented. The individual boards of the subsidiary companies are responsible for their own IT governance with the ultimate responsibility for the group IT residing with the HCI board.
Principle 2.9: The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	The social and ethics committee has policies in place for the group. It monitors compliance at the group and subsidiary level. The majority of the underlying subsidiaries operate in a highly regulated environments.
Principle 2.10: The board should ensure that there is an effective risk-based internal audit	An internal audit function has been established at the major subsidiary companies. The audit and risk committee reviews the subsidiary companies on a quarterly basis through the internal audit reports.

Principle 2.11: The board should appreciate that stakeholders' perceptions affect the company's reputation	Mechanisms are in place for constructive engagement with all stakeholders at group and subsidiary levels. To ensure parity at a shareholder level, engagement is implemented through the release of required printed material and announcements.
Principle 2.12: The board should ensure the integrity of the company's integrated report	The board approves the integrated report after satisfying itself on the content and integrity of the report. The report is compiled in-house by professional employees of the group in accordance with the group's policies and ethical standards.
Principle 2.13: The board should report on the effectiveness of the company's system of internal control	The board obtains assurance on the internal control systems of the group via the audit and risk committee whose function it is to monitor the company's system of internal control
Principle 2.14: The board and its directors should act in the best interests of the company	The board acts in the best interests of the company by adhering to the following: • Standards as set out in the Companies Act 2008, as amended; • Conflict of interest policy • Professional advise policy • Dealing in securities
Principle 2.15: The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company has been/may be financially distressed as defined in the Company's Act, 71 of 2008	The group is apprised of the going concern statement of group at specific periods during the year under review and monitors the solvency and liquidity on an ongoing basis.
Principle 2.16: The board should elect a chairman of the board who is an independent non-executive director. The chief executive officer of the company does not also fulfil the role of chairman of the board	Mr Shaik has been appointed as lead independent director of the board as the company is chaired by Mr Golding, an executive director. The positions of chairman and chief executive officer are separate.
Principle 2.17: The board has appointed the chief executive officer and has established a framework for the delegation of authority	All appointments at senior executive level are confirmed by the board of directors. The role and function of the chief executive officer is formalised. A framework is in place for the delegation of authority by the chief executive officer.
Principle 2.18: The board comprises a balance of power, with a majority of non-executive directors. The majority of non-executive directors are independent	Seven of the ten directors are non-executive directors. Five of the seven (71%) non-executive directors are independent directors. The board has considered the requirements of the company and ensures that its size, diversity and demographics make it an effect board to lead the company by ensuring that it has the necessary skills, resources and knowledge to carry out its duties.

Principle 2.19: Directors should be appointed through a formal process	The nomination of directors to the board is formally set out in policy, transparent and a matter considered by the full board of directors.
Principle 2.20: The induction of and ongoing training, as well as the development of directors should be conducted through a formal process	No formal induction program is in place for new directors, rather an informal presentation of the industries in which the group is involved is presented to the prospective board member. A formal board continuing development programme is in place that focuses on improving and keeping the board up to date with governance, regulatory and operation developments.
Principle 2.21: The board is assisted by a competent, suitably qualified and experienced company secretary	The role and function of the company secretary is in accordance with Section 88 the Companies Act of 2008. The board has satisfied itself through a formal assessment that the company secretary is suitably qualified and competent.
Principle 2.22: The evaluation of the board, its committees and individual directors is performed every year	Assessments of the audit committee, board and chairman were carried out subsequent to year-end. The results of the assessment will be used to identify training needs for directors and action plans to address any issues that have arisen. The financial director is evaluated annually.
Principle 2.23: The board delegates certain functions to well-structured committees without abdicating from its own responsibilities	The following committees are in place: • audit and risk • remuneration • social and ethics • executive Formal terms of reference are in place for all these committees. The committee chairperson reports back to the board after each meeting.
Principle 2.24: A governance framework has been agreed upon between the group and its subsidiary boards	As HCI is an investment holding company, its subsidiary companies report, via the subsidiary boards, on all governance issues to the board of HCI or a committee of the board.
Principle 2.25: The company remunerates its directors and executives fairly	A remuneration committee is in place and assists the board in aligning the remuneration policy with strategy and goals. Independent remuneration consultants are utilised at least once every three years to assess and provide guidance on the remuneration policies of the company.
Principle 2.26: The company has disclosed the remuneration of each individual director and prescribed officer	The disclosure of directors' remuneration meets the requirements of the Companies Act, King III and IFRS requirements.
Principle 2.27: The shareholders have approved the company's remuneration policy	In line with the Companies Act, 2008 the group's remuneration policy is proposed to shareholder's for a non-binding advisory vote at the annual general meeting of the company.

REPORT OF THE AUDIT COMMITTEE

Members: Mr Y Shaik (chairman), Dr LM Molefi, Ms B Hogan

The HCI audit committee is a formal committee of the board, appointed by the shareholders, and functions within its documented terms of reference. All members of the audit committee act independently. The financial director, the chief financial officer, the group's risk officer, and the group financial manager attend the meetings as permanent invitees, along with external audit and the outsourced internal audit. Other directors and members of management attend as required.

During the year under review four audit committee meetings where held. Please see table on page 41 for attendances at these meetings.

Ms Hogan was appointed as a member of the audit committee on the 29th August 2012.

The audit committee has pleasure in submitting this report in respect of the past financial year of the Group, as required by section 94 of the Companies Act 2008, as amended ("the act").

Functions of the audit committee

In terms of the Companies Act of 2008, as amended, the audit committee has adopted formal terms of reference, delegated to it by the board of directors, as its audit committee charter.

The audit committee fulfils an independent oversight role regarding the Group's financial statements and the reporting process, including the system of internal financial control, with accountability to both the board and to shareholders. The committee's responsibilities include the statutory duties prescribed by the Companies Act, recommendations by King III and additional responsibilities assigned by the board.

The committee is satisfied that, in respect of the financial period under review, it has performed all the functions required by law to be performed by an audit and risk committee, including as set out by section 94 of the Companies Act of 2008 and in terms of the committee's terms of reference and as more fully set out in the corporate governance report. In this connection the committee has:

- Reviewed the interim, provisional and year-end financial statements, culminating in a recommendation to the board to adopt them;
- Reviews legal matters that could have a significant impact on the group's financial statements;
- Reviewed the external audit reports on the annual financial statements;
- Verified the independence of the external auditor as per section 92 of the Companies Act of 2008 and accordingly nominates Grant Thornton (Jhb) Inc to continue in office as the independent auditor and noted the appointment of Mr Ben Frey as the designated auditor for 2014;
- Approved the audit fees and engagement terms of the external auditor; and
- Determined the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services by the external auditor.

The audit committee fulfils an oversight role regarding the group's financial statements and the reporting process, including the system of internal financial control.

Confidential meetings

Audit committee agendas provide for confidential meetings between the committee members and the external auditors which are regularly held.

Expertise and experience of the financial director

As required by JSE Listings Requirement 3.84(h), the committee has reviewed the performance of the Group financial director, Mr TG Govender, and was satisfied that he has the necessary expertise and experience to fulfil this role and has performed appropriately during the year under review.

Internal audit

The group does not consider it necessary to establish an internal audit function at the holding company level. Where appropriate, subsidiaries have their own internal audit departments that perform the internal audit function for the relevant subsidiary. Reports generated by the subsidiary companies' internal audit departments are made available and discussed at the HCI group audit and risk committee.

Risk management and internal control

The board acknowledges that it is accountable for the process of risk management and the system of internal control of the group.

The group operates in a highly regulated environment. Where necessary, compliance officers have been appointed at each of the group's key operating subsidiaries and associated company levels for ensuring adherence to the various Acts and Codes that govern the day-to-day operations. Each group company has its own board of directors responsible for the management, including risk management and internal control, of that company and its business.

Mr J.R. Nicolella is the group risk officer for the HCI Group. The risk report can be found on page 48 of the integrated report. Internal control structures have been implemented to ensure that significant business and financial risk is identified and appropriately managed. The group audit

REPORT OF THE AUDIT COMMITTEE (continued)

and risk committee assists the board in discharging its responsibilities. It also considers reports and information generated by the subsidiary companies' audit or finance committees to their respective boards.

Recommendation of the integrated annual report

The committee has evaluated the integrated annual report of Hosken Consolidated Investments Limited and the group for the period ended 31 March 2013 and, based on the information provided to the committee, the committee recommends the adoption of the integrated annual report by the board.

Y Shaik
Chairperson : audit committee
28 August 2013

REPORT OF THE RISK COMMITTEE

As previously disclosed in the 2012 risk committee report, the members of the risk committee are the audit committee members, as well as the group risk officer and the chief executive officer, who are invited to attend all audit committee meetings. The committee is an integral component of the risk management process and specifically the committee shall ensure by enquiry of management, external and internal auditors that all material corporate risks have been identified, assessed, monitored and effectively managed. As HCI is an investment holding company the risk management process takes into account the risks and opportunities within the company as well as those inherent in its portfolio of investments.

All controlled entities are required to adhere to the relevant principles of King III. The committees' responsibilities are:

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

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

A disciplined and timeous reporting structure enables the committee to be fully apprised of group company activities, risks and opportunities. This is achieved by requiring that controlled companies report their key risks and responses to the committee on a bi-annual basis, with additional exception reporting as required. The focus of the committee is on those risks which may negatively impact the long-term sustainability of the particular business or have a material impact on earnings. The chairman of the committee reports to the board of HCI on the most significant risks derived from the above process. In addition, to members of the committee sit on the boards of the various subsidiary companies enabling them to provide feedback to subsidiary boards, and to enable continual feedback. This continual emphasis on risk management assists the board to foster a culture in the HCI Group that emphasises and demonstrates the benefits of a risk based approach to internal controls and management of the group. Effective risk management is seen as fundamental to the sustainability of the group's interests. It further enables the principle that risk management is also about analysing opportunities and not only guarding against downside possibilities.

As disclosed in the letter to shareholders on page 37 of this integrated report, the process underlying the determination by the City of Cape Town of the market allocation to Golden Arrow Bus Service further to the rollout of the Integrated Rapid Transit System in Cape Town is the subject of a legal appeal process. The final outcome of this matter however is not regarded by the committee as material to HCI having regard to its overall investment portfolio.

The committee will conduct annual reviews of its performance and ensure it is provided with resources to perform its duties and ensure sufficient training to its members.

JR Nicolella
Group risk officer
28 August 2013

REPORT OF THE REMUNERATION COMMITTEE

Members: Mr MF Magugu (chairman) and Mr JG Ngcobo

All the members of the committee are independent non-executive directors. In line with the recommendations of King III, the chief executive officer attends the meetings of the committee at the request of the committee, but recuses himself from the meeting before any decisions are made.

The committee met twice during the past year, as per the memorandum of incorporation.

Each major group subsidiary has its own remuneration committee.

This committee is primarily responsible for overseeing the remuneration and incentives of the executive directors and executive management. It takes cognisance of local best remuneration practices in order to ensure that such total remuneration is fair and reasonable to both the employee and the company. The committee utilises the services of independent remuneration consultants to assist in providing guidance on the remuneration for executive management. The Group's remuneration philosophy strives to reward employees in a fair and responsible way which ensures a culture of high performance to deliver returns to shareholders through employees who are motivated, engaged and committed. This philosophy's intended consequence is to attract, retain and develop employees with scarce and critical skills who contribute to sustained business growth and are aligned to the strategic and operational requirements of the business.

The functions and mandates of the remuneration committee include:

- make recommendations to the board on directors' fees and the remuneration and service conditions of executive directors, including the chief executive officer;
- provide a channel of communication between the board and management on remuneration matters;
- review the group's remuneration policies and practices and proposals to change these and to make recommendations in this regard to the board;
- review and approve the terms and conditions of executive directors' employment contracts, taking into account information from comparable companies;
- determine and approve any grants to executive directors and other senior employees made pursuant to the company's employee share option scheme; and
- review and approve any disclosures in the annual report or elsewhere on remuneration policies or directors' remuneration.

During the previous year HCI shareholders approved the HCI Employee Share Scheme, which is a net-equity settled incentive scheme. In terms of this scheme, share options are granted to executive directors and senior and middle management.

Share options are allocated to participants at a ten percent discount to the 30 day volume weighted average market price as at date of grant. The number of share options granted is determined by use of a multiple of the participant's basic salary, divided by the discounted market price. The multiples relating to each level of management are as follows:

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

The fair value of options granted is measured using the Black Scholes Model. Share options granted in the current year were fairly valued using a volatility indicator of 16% and an annual interest rate of 5%.

Executive directors earn a basic salary which is determined by independent remuneration consultants and escalate in line with inflation for the duration of their contracts. Bonuses payable are purely discretionary and are determined annually after reviewing the performance of the group and its subsidiaries. The maximum bonuses that can be earned by executive management are as follows:

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

Non-executive directors earn a basic fee which is in line with companies of a similar size. These fees escalate annually in line with inflation and are reviewed every 3 years by an independent remuneration consultant. Directors can earn up to a maximum of 50% of their board fees by serving on the committees responsible to the board of directors. Non-executive directors do not receive short-term incentives and do not participate in any long-term incentive schemes.

POSITION	Proposed fee 2013/2014	Actual Fee 2012/2013
	R'000	
Non-executive director	225	210
Committee member:		
Audit	93	87
Remuneration	59	55
Social and ethics	68.5	64

Directors' emoluments and other relevant remuneration information are disclosed on page 53 to 55 of the integrated report.

Principle 2.26 recommends that the remuneration of each individual director and the three most highly paid employees who are not directors in the company be disclosed. The remuneration report discloses the remuneration of the three most highly paid employees, however the names of the employees have not been disclosed as the board is of the opinion that such information is private to the individuals concerned and adds no value to stakeholders.

Details of personnel remuneration of the three highest paid members of management, that are not directors, for the year ended 31 March 2013 is reflected below:

	Salary per annum R'000	Other benefits R'000	Bonus R'000	Gains on share options R'000	Total R'000
Employee A	2 657	-	1 727	3 758	8 142
Employee B	3 340	273	2 171	883	6 667
Employee C	3 149	120	1 186	624	5 079

MF Magugu
Chairman: remuneration committee
28 August 2013

HCI Employee Share Option Scheme

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

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

In terms of The HCI Employee Share Trust (2001), the previous option scheme, shares in the Group were offered either on a share option or on a combined share option and deferred sale basis. Participants were able to exercise options to purchase shares in tranches within periods of three to seven years from the grant date at the exercise price, provided that they remained in the Group's employ until the options vested. The terms of the previous option scheme remain applicable to all options issued in terms of that scheme and that have not yet been paid for or become unconditional.

Options issued in terms of the previous scheme must be exercised within three years of being granted, where after the options lapse. Options vest over periods of three to seven years. These vesting periods may be varied by the trustees of the scheme. Participants are required to pay for the shares between five and ten years from the date of grant.

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

	2013		2012	
	Number of share options	**Weighted average exercise price R**	Number of share options	Weighted average exercise price R
Balance at beginning of the year	**4 637 655**	**52,45**	4 126 914	50,79
Options granted	**645 558**	**76,68**	636 688	60,49
Options unconditional	**(1 946 675)**	**40,22**	(109 481)	44,61
Options forfeited	**(261 670)**	**27,80**	(16 466)	61,31
Balance at the end of the year	**3 074 868**	**62,76**	4 637 655	52,45

The options issued in terms of The HCI Employee Share Trust (2001) and outstanding at 31 March 2013 become unconditional between the following dates:

	Number of share options	Exercise price
		R
25 July 2011 and 24 July 2013	107 500	40.50
8 September 2011 and 7 September 2013	94 404	40.50
29 June 2012 and 28 June 2014	250 674	70.00
4 June 2012 and 3 June 2014	17 500	37.80
4 June 2014 and 3 June 2016	17 500	37.80
17 June 2010 and 16 June 2013	461 279	71.52
17 June 2013 and 16 June 2014	8 948	71.52
17 June 2014 and 16 June 2015	8 948	71.52
	966 753	
Options vested but not yet paid for	244 429	40.50
Options vested but not yet paid for	705 999	70.00
Options vested but not yet paid for	35 000	37.80
	1 952 181	

The options issued in terms of The HCI Employee Share Scheme and outstanding at 31 March 2013 become unconditional between the following dates:

16 May and 16 August 2014	178 000	30.00
15 March and 15 June 2015	455 053	72.32
29 August and 29 November 2015	397 886	77.24
29 August and 29 November 2016	45 874	77.24
29 August and 29 November 2017	45 874	77.24
	1 122 687	
Total number of options in issue	3 074 868	

	2013 Number of share options	2013 Weighted average exercise price	2012 Number of share options	2012 Weighted average exercise price
A maximum number of 751 975 (2012: 448 100) shares may be issued in respect of 1 122 687 (2012: 633 053) options issued in terms of The HCI Employee Share Scheme. In respect of 178 000 options issued in terms of this scheme the number of shares that may be issued is uncapped.				
Options granted to executive directors				
JA Copelyn				
Balance at the beginning of the year	**1052 103**	**56.40**	915 088	54.02
Options granted	**136 471**	**77.24**	137 015	72.32
Options vested and shares delivered	**(460 952)**	**37.80**	-	
Balance at the end of the year	**727 622**	**72.10**	1 052 103	56.40
Unconditional between the following dates:				
29 June 2008 and 28 June 2014	**308 571**	**70.00**	308 571	70.00
12 June 2009 and 11 June 2012	**-**	**-**	460 952	37.80
17 June 2010 and 16 June 2013	**145 565**	**71,52**	145 565	71.52
15 March and 15 June 2015	**137 015**	**72,32**	137 015	72.32
29 August and 29 November 2015	**136 471**	**77,24**		
MJA Golding				
Balance at the beginning of the year	**1052 103**	**56.40**	915 088	54.02
Options granted	**136 471**	**77.24**	137 015	72.32
Options vested and shares delivered	**(460 952)**	**37.80**	-	
Balance at the end of the year	**727 622**	**72.10**	1 052 103	56.40
Unconditional between the following dates:				
29 June 2008 and 28 June 2014	**308 571**	**70.00**	308 571	70.00
12 June 2009 and 11 June 2012	**-**	**-**	460 952	37.80
17 June 2010 and 16 June 2013	**145 565**	**71,52**	145 565	71.52
15 March and 15 June 2015	**137 015**	**72,32**	137 015	72.32
29 August and 29 November 2015	**136 471**	**77,24**		
TG Govender				
Balance at the beginning of the year	**361 629**	**54.87**	309 205	51.91
Options granted	**6 354**	**77.24**	52 424	72.32
Options vested and shares delivered	**(176 367)**	**37.80**	-	
Balance at the end of the year	**191 616**	**71.32**	361 629	54.87
Unconditional between the following dates:				
29 June 2008 and 28 June 2014	**77 143**	**70.00**	77 143	70.00
12 June 2009 and 11 June 2012	**-**	**-**	176 367	37.80
17 June 2010 and 16 June 2013	**55 695**	**71,52**	55 695	71.52
15 March and 15 June 2015	**52 424**	**72,32**	52 424	72.32
29 August and 29 November 2015	**6 354**	**77,24**		

The following loans were advanced in terms of The HCI Employee Share Trust (2001) in respect of the strike price of options issued in terms of that scheme. These loans are interest free and are repayable within three years of the options' vesting date.

	2013 R'000	2012 R'000
JA Copelyn	**17 424**	-
Payable by 11 June 2014	**8 712**	-
Payable by 11 June 2015	**8 712**	-
MJA Golding	**17 424**	-
Payable by 11 June 2014	**8 712**	-
Payable by 11 June 2015	**8 712**	-
TG Govender	**6 666**	-
Payable by 11 June 2014	**3 333**	-
Payable by 11 June 2015	**3 333**	-

	Direct beneficial		**Indirect beneficial**	
	Number	**Percentage holding**	**Number**	**Percentage holding**
DIRECTORS SHAREHOLDINGS				
31 March 2013				
Executive directors				
JA Copelyn	**5 426 801**	**4.3**	**-**	**-**
MJA Golding	**7 273 081**	**5.7**	**1 371 519**	**1.1**
TG Govender	**159 329**	**0.1**	**17 250**	**-**
Non-executive directors				
VM Engel	**2 000**	**-**	**-**	**-**
VE Mphande	**40 230**	**-**	**-**	**-**
	12 901 441	**10.1**	**1 388 769**	**1.1**
31 March 2012				
Executive directors				
JA Copelyn	5 559 931	4.2	-	-
MJA Golding	7 541 109	5.7	1 519 133	1.1
TG Govender	100	-	17 250	-
Non-executive directors				
VM Engel	2 000	-	-	-
Y Shaik	17 500	-	-	-
VE Mphande	125 000	0.1	-	-
	13 245 640	10.0	1 536 383	1.1

Mr VE Mphande sold 22 500 shares and Mr MJA Golding sold 400 000 shares between the reporting date and the date of issue of this report. There were no other changes in directors' shareholdings during this period.

During the current year Mr Y Shaik ceased to be a beneficiary of the trust that held his beneficial interest as at the prior year reporting date.

				Salary	Other benefits	Gains from share options	Bonus	Total
		Board fees						
		R'000		**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
DIRECTORS EMOLUMENTS								
Year ended 31 March 2013								
Executive directors								
JA Copelyn		-		**5 145**	**1 091**	**3 682**	**3 858**	**13 776**
MJA Golding		-		**5 145**	**1 084**	**3 682**	**3 858**	**13 769**
TG Govender		-		**1 832**	**417**	**1 149**	**1 190**	**4 588**
Non-executive directors								
B Hogan	#	**172**	*	-	-	-	-	**172**
JG Ngcobo		**476**	**	-	-	-	-	**476**
MF Magugu		**255**	***	-	-	-	-	**255**
ML Molefi		**487**	****	-	-	-	-	**487**
VE Mphande		**560**	*****	-	-	-	-	**560**
VM Engel		**210**		-	-	-	-	**210**
Y Shaik		**468**	******	-	-	-	-	**468**
		2 628		**12 122**	**2 592**	**8 513**	**8 906**	**34 761**

appointed 29 August 2012
* includes R49 333 audit committee fees
** includes R65 000 remuneration committee and social and ethics committee fees and R201 000 board fees paid by subsidiary companies
*** includes R45 000 remuneration committee fees
**** includes R82 500 audit committee and social and ethics committee fees and R194 000 board fees paid by subsidiary companies
***** includes R350 000 board fees paid by subsidiary companies
****** includes R78 500 audit committee fees and R179 000 board fees paid by subsidiary companies

Year ended 31 March 2012

		Board fees		Salary	Other benefits	Gains from share options	Bonus	Total
		R'000		R'000	R'000	R'000	R'000	R'000
Executive directors								
JA Copelyn		-		4 839	-	2 928	3 629	11 396
MJA Golding		-		4 839	-	2 928	3 629	11 396
TG Govender		-		1 833	-	1 060	1 191	4 084
Non-executive directors								
JG Ngcobo		238	*	-	-	-	-	238
MF Magugu		234	**	-	-	-	-	234
ML Molefi		387	***	-	-	-	-	387
RS Garach	#	221	*****	-	-	-	-	221
VE Mphande		381	******	-	-	-	-	381
VM Engel		201		-	-	-	-	201
Y Shaik		353	****	-	-	-	-	353
		2 015		11 511	-	6 916	8 449	28 891

resigned 20 January 2012
* includes R33 475 remuneration committee fees and R4 000 board fees paid by subsidiary companies
** includes R33 475 remuneration committee fees
*** includes R66 950 audit committee fees and R119 000 board fees paid by subsidiary companies
**** includes R66 950 audit committee fees
***** includes R55 283 audit committee fees and R85 000 board fees paid by subsidiary companies
****** includes R180 000 board fees paid by subsidiary companies

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

Members: Dr LM Molefi (Chairperson); Mr JG Ngcobo, Mr JA Copelyn, Mr MJA Golding

The social and ethics committee has pleasure in submitting this report, as required by section 72(4) to section 72 (10) of the Companies Act 2008, as amended ("the act") and regulation 43 to the Act.

Functions of the social and ethics committee

To ensure that the committee fulfils its responsibilities in line with the Companies Act, 2008 (as amended) and King III, the composition of the committee has been expanded. A number of personnel within the company, who are the drivers of the underlying functions of the committee, have been invited to join the meetings. In line with the Act, the invitees do not have voting powers. The committee also considers reports and information generated by the subsidiary companies to their respective boards. The committee reports back to the board of HCI and all decisions taken are decided by the board of directors.

The social and ethics committee has discharged the monitoring functions in terms of regulation 43.5 of the Act as follows:

- Social and ethic development, including the standing of the company with regard to:
- the 10 principles set out in the United Nations Global Compact Principles; and
- the Employment Equity Act; and
- the Broad-Based Black Economic Empowerment Act;
- Good corporate citizenship
- Environment, health and public safety
- Labour and employment

The sustainability report on pages 57 to 61 and the corporate social investment report on pages 62 to 67 incorporates the various aspects overseen by the committee.

Dr LM Molefi
Chairperson: social and ethics committee
28 August 2013

CORPORATE SOCIAL RESPONSIBILITY

Approach to sustainability reporting

In 2012, HCI published our second annual integrated financial, social and environment report reflecting the progress made by the group in embedding sustainability in the manner we conduct our business. Since the beginning of our sustainability journey, HCI has been working to collect and organise our sustainability data, develop frameworks and implement a group strategy.

The implementation of sustainable business practices is a continuous process for every organisation. To improve and even maintain this momentum, the key principle of sustainability each organisation needs to recognise is that employees are key stakeholders, vital sources of sustainability engagement and key idea generators to help enhance HCI on this sustainability journey. Additionally, HCI seeks to encourage our subsidiaries to embed the sustainability strategy into the core strategy of their business.

During the financial year 2013, HCI collated relevant sustainability data from the subsidiaries. At reporting date, the following HCI subsidiaries have been included in the inventory:

1. Business Systems Group (Africa) ("BSG")
2. Formex Industries
3. Galaxy Bingo
4. Golden Arrow Bus Services
5. Gallagher Estate Holdings
6. HCI Coal
7. KWV Holdings
8. Montauk Energy Holdings
9. Sabido Investments
10. Seardel Investment Corporation
11. Syntell
12. Tsogo Sun Holdings
13. Vukani Gaming Corporation

Highlights

- HCI again reduces overall scope 1 and 2 emissions from prior year.
- HCI remains a Level 2 contributor to Broad-Based Black Economic Empowerment but at an increased percentage of 89.44% from 85.32%.
- Over R27 million spent on social responsibility projects and R26 million spent on enterprise development.
- HCI is actively engaged with developers on clean energy projects in terms of the SA government's roll out of renewable energy.
- Golden Arrow Bus Services has maintained its investment in new, more fuel efficient buses.
- Investment in employee training and development, with R21 million being spent on employee development in the past financial year.

Sustainable governance

The purpose of governance within HCI is to guarantee the Group's commitments to all of its stakeholders: shareholders, customers, suppliers, lenders, the community and employees. HCI and its subsidiaries subscribe to the Code of Corporate Practices and Conduct (the code) as set out in the King Report (King III) on Corporate Governance and believe that in all material respects it complies with the major recommendations of the code.

Reporting standards

HCI has sought to follow the best practice standards and guidelines while compiling the sustainability report, the most important being the Global Reporting Initiatives (GRI) G3.1 Sustainability Reporting Guidelines.

Economic sustainability

Economic sustainability is critical in attracting and retaining customers, employees and investors. Sustainability initiatives help to increase the value of the company by leveraging opportunities and managing risks from a financial, social and environmental perspective. This year HCI grew adjusted headline earnings by 18%.

Environmental sustainability

Environmental management programs implemented in previous years along with various sustainability and energy efficiency measures have continued to deliver real and measurable upside to HCI.

Climate and energy

Our subsidiaries are still collating emissions data on an annual basis allowing HCI as a group to respond to the Carbon Disclosure Project.

HCI and its subsidiaries are continually implementing initiatives to reduce emissions across the group or reduce the consumption of resources;

- SABIDO is currently building a 4-star green-rated building in Cape Town for its new head-offices.
- Gold Reef Speciality Chemicals (a Seardel subsidiary) has initiated improvements in the scrubber system which leads to carbon emissions reductions.
- A number of subsidiaries have initiated comprehensive recycling programmes, involving environmental consultants, focusing on waste streams such as steel and plastic, to reduce waste to landfill..
- The disposal of contaminated water by Formex is achieved through a third party contractor in an environmentally sustainable manner.
- Montauk has analysed all the raw material being used in its facilities and have adopted alternative supplies and

processes to improve efficiency as well as a reduction in energy consumption.
- Skylights are being installed in new retail property developments; low energy efficient lighting is being installed in the Gallagher properties..

Continuous reduction in emissions of CO_2 is achieved (but not directly measured by HCI) through 56 million passengers using GABS buses, the production by Formex of catalytic converters used by vehicle manufactures to reduce exhaust emissions and the manufacture of Isotherm by Seardel used as an insulation product which reduces carbon emissions accordingly. Syntells' traffic management system also assists traffic management authorities in reducing the use of roads and assisting in alleviating traffic congestion which contribute to a reduction in exhaust emissions.

Greenhouse gas emissions

HCI again collected greenhouse gas data this year and responded for the third year in a row to the Carbon Disclosure Project. Over the past year, data collection again improved, with most subsidiaries now recording all the required information. During the past financial year HCI has reduced total scope 1 and 2 emissions by 9.6%.

The unintended but recorded consequence of efficiency of increased data collection drove up Scope 1 emissions and had a considerable impact on Tsogo's Scope 2 emissions.

Scope 1 and 2 emissions – direct

The Groups emissions tables for the reporting period are set out below.

	Scope 1		Scope 2	
Subsidiary	**2013 Scope 1 tons CO_2e**	2012 Scope 1 tons CO_2e	**2013 Scope 2 tons CO_2e**	2012 Scope 2 tons CO_2e
Business Systems Group (Africa) ("BSG")	**0**	0	**257**	532
Formex Industries	**491**	232	**10 337**	15 273
Galaxy Bingo	**31**	20	**2 347**	2 494
Golden Arrow Bus Services (GABS)	**70 010**	67 064	**4 657**	3 636
Gallagher Estate Holdings	**0**	0	**0**	0
HCI Coal	**14 092**	16 073	**5 097**	5 435
KWV Holdings	**6 669**	-	**7 100**	-
Montauk Energy Holdings	**9 164**	9 186	**27 166**	21 652
Sabido Investments	**354**	355	**6 530**	6 241
Seardel	**5 256**	* 38 273	**75 023**	77 823
Syntell	**1 018**	935	**701**	618
Tsogo Sun Holdings	**2 152**	1 686	**263 182**	172 016
Vukani Gaming Corporation	**1 506**	1 591	**706**	630
Total	**110 743**	135 415	**403 103**	306 350

* Seardel restated

Scope 1 emissions are direct GHG emissions from sources that are owned or controlled by the entity. Scope 1 can include emissions from fossil fuels burned on site, emissions from entity-owned or entity-leased vehicles, and other direct sources. Scope 2 emissions are indirect GHG emissions resulting from the generation of electricity, heating and cooling, or steam generated off site, but purchased by the entity, and the transmission and distribution losses associated with some purchased utilities (e.g. chilled water, steam, and hot water).

Scope 3 Emissions – by source

	Emissions in tons CO_2e		
Emission source	2013	2012	2011
From purchase of fossil fuels	21 168	27 126	19 411
From business travel in commercial airlines	2 461	2 553	1 341
From business travel in rental cars	53	81	-
From consumption of office paper	1 147	1 951	386
Use of sold goods and/or services	4 511 422	4 873 870	3 549 577
TOTAL	4 536 251	4 905 581	3 570 715

Scope 3 - Optional reporting category that allows for the treatment of all other indirect emissions. They are a consequence of the activities of the company, but occur from sources not owned or controlled by the company. Some examples include third party deliveries, business travel activities and use of sold products and services.

* According to the Scope 3 Accounting and Reporting by the Greenhouse Gas Protocol Initiative, the product sold by HCI Coal can be classified as product type 3: Fuels including fossil fuels.

Product type = tons sold *fe

Fe = emissions factor associated with the use of that product.

Calculations were performed using the Defra conversion factor of 2271.2 kgs CO_2e / tons of coal sold.

Offset of emissions

If we include our "offset" emissions from Montauk which include 4 468 810 tons CO_2e, our scope 3 emissions can be seen as a vastly reduced number of 67 447 tons CO_2e.

Further HCI has implemented initiatives to reduce carbon emissions across the group, to become more energy efficient and to reduce waste. Some of these initiatives are mentioned below.

- Consultation with environmental lawyers is in process to assess and recommend ways of aligning processes and facilities to be more environmentally friendly and align with ISO 14000 standards.
- Waste, oil and scrap metal is removed by accredited companies for recycling.
- Conference calls and upgraded video conferencing units have been installed at multiple locations to reduce travel.
- Energy saving lighting, reduction of boiler usage and lower consumption during peak periods has been implemented.
- Reduction in steam usage due to more efficient steam practices.

Looking ahead

Over the coming years HCI faces a number of sustainability related issues. The Department of National Treasury in South Africa released its Carbon Tax Policy Paper in May 2013. A carbon tax will be phased in, in that and the government has taken steps to co-ordinate and develop a policy framework to curb GHG emissions by 34% by 2020 and 42% by 2025.

Furthermore as markets grow, strain on the natural resources will continue to materialise, leading to critical shortages and possibly lead to business risks. Companies will face labour intensive sustainability surveys, questionnaires from customers, NGOs, investor groups, analysts and media organisations in the future.

This will place the burden on companies to ensure that the information presented and recorded is accurate, balanced and up to date. With this in mind HCI must continue to improve our measurement capabilities by upgrading the manner in which we collect and manage our data. In particular, as we increase our production at HCI Coal and the increase in the prices of fuel, and accordingly increase our passenger loads at GABS (but taking more vehicles off the roads) our reported CO_2 emissions will grow accordingly.

Product responsibility

Customer health and safety

HCI, through its subsidiaries, works systematically on product safety and compliance to guarantee that its products meet the requirements imposed by applicable legislation, customers and voluntary agreements in trade associations.

Since HCI's product and services range is highly diversified, a variety of routines and processes relating to product safety are in place across the different subsidiaries. As a rule, however, these include safety and quality assessments of raw material, quality assurance, hygiene standards, information to customers, and processes for dealing with complaints and product recalls. Procedures related to product safety are well established and involve marketing, sourcing, research and development and quality.

Customer satisfaction

Customer satisfaction is the responsibility of the subsidiary, which sells the product and or service. Each subsidiary considers customer satisfaction as critical to their success and there are established procedures within relevant subsidiaries to measure and ensure customer satisfaction is achieved. The procedures include customer surveys and questionnaires, dialogue and complaints logging systems. All of this is to procure customer retention.

Gaming marketing

Gaming companies in the Group adhere to the standards set by the National Responsible Gaming Association (NRGA). The NRGA requires a disclosure on all marketing material promoting responsible gambling.

Liquor marketing

KWV is a member of the Association for Responsible Alcohol Use (ARA) and is a responsible liquor manufacturer. All marketing material complies with the ARA's standards.

Transformation

HCI's commitment to the transformation of South Africa's society and economy is evident in the constant improvement in its BBBEE status. This year HCI maintained its Level 2 BBBEE status improving its overall score from 85,26% to 89,44%, placing HCI firmly amongst the top Empowerment Companies in the country.

Voting rights by previously disadvantaged individuals (PDIs) totals 91.9% of the board with 9 out of 10 directors being previously disadvantage, including two black females. Further, two out of three senior top management positions are filled by PDIs. Being a black-owned and controlled company with 31.14% black women ownership, any company that HCI acquires or invests in gets the full recognition of black ownership.

Human rights

The HCI Social and Ethics committee oversees and monitors HCI's activities. Please refer to page 56 of this report

Employee relations

HCI and its subsidiaries focuses on maximising employee abilities through training and education, respecting individual integrity and human rights, offering fair pay and advancement opportunities, and maintaining a safe and healthy workplace with open and honest communication

Further, the HCI subsidiaries continuously pursue health and safety activities that aim to reduce the risk of accidents and reinforce safety awareness, thereby also increasing productivity. Efforts in the area are based on national legislation and industry standards. Health and Safety committees are established in those subsidiaries where it is deemed necessary as per legislation. HCI Coal is also in the process of establishing the framework for implementing the OHSAS18001 standard to ensure it maintains world-class health and safety standards.

Another shining example is Tsogo Sun, which introduced a number of initiatives that go above and beyond those offered by other corporates around the country. These include:

Positive Living Initiative: This program takes a very pragmatic approach to health issues, addressing those that have the greatest impact on Tsogo Sun's business, for example HIV/AIDS, stress and respiratory infections, amongst others. Not only is staff educated in the identification and prevention of health issues, but they are also provided with:

- Employee assistance centres, providing primary healthcare, dispensing, a doctor and nurse, specialist visits, paramedics, and health screening and monitoring;
- The SAFAM (Safety and First Aid Management) helpline, offering counselling, legal and financial assistance;
- Paramedics for guests, staff, emergencies and transfers;
- The HIV/AIDS Programme is provided by SAFAM and Discovery Health;
- Complementary services, such as nutritionally-balanced canteen food, general hygiene, professional visits, training, internal communication, nutritional advice and stress management;
- Executive Health Management Programme; and
- Health and safety committee, and performance-related risk.

Training and development

At HCI and its subsidiaries, training and development of employees is assigned high priority. There are a number of development programmes available for various employee categories throughout the organisation, as well as opportunities for employees to attend specialised courses as the need arises. Further to the training of our own staff, many of our employees have agreed to mentor students from the Foundation's Bursary program. We feel that this not only benefits the bursary student but it adds to the growth and development on the Mentor.

Incidence of discrimination

Non-discrimination in the workplace is a cornerstones of HCI philosophy and its Code of Conduct. Reporting and investigating discrimination incidents are firmly established within normal grievance and disciplinary procedures.

Freedom of association and collective bargaining

HCI recognises the right of employees to freely associate, and thus all HCI employees are free to join trade unions. However, the level of trade union activity and the existence of formal collective bargaining arrangements vary from subsidiary to subsidiary, with between 10% and 90% of employees in the different subsidiaries being covered by collective bargaining agreements.

Black economic empowerment

HCI's profile is summarised below with an overall score of 89.44%:

BEE Category	2013	2012	2011	2010	2009
Ownership	23.00	23.00	23.00	23.00	23.00
Management control	9.19	9.19	9.39	9.45	9.50
Employment equity	10.46	8.67	9.46	10.11	10.60
Skills development	6.80	6.34	5.46	7.02	5.94
Preferential procurement	20.00	18.06	18.43	16.77	12.90
Enterprise development	15.00	15.00	15.00	15.00	15.00
Socio economic development	5.00	5.00	5.00	5.00	5.00
Total %	89.44	85.26	85.74	86.35	81.94
Level	Level 2	Level 2	Level 2	Level 2	Level 3

Employment equity table

	Male					Female					
Occupational level	African	Col-oured	Indian	Non Black (White and NSA)	Sub-Total	African	Col-oured	Indian	Non Black (White and NSA)	Sub-Total	Total
Top management	8	9	5	37	59	1	-	4	7	12	71
Senior management	11	9	15	77	112	12	9	7	26	54	166
Professionals, specialists and mid-management	80	63	31	202	376	67	37	23	129	256	632
Skilled workers, supervisors and junior management	513	502	163	340	1 518	403	477	170	251	1 301	2 819
Semi-skilled and discretionary decision making	1 431	1 152	90	107	2 780	1 390	1 155	88	73	2 706	5 486
Unskilled	464	374	17	15	870	439	557	20	11	1 027	1 897
Total employees	2 507	2 109	321	778	5 715	2 312	2 235	312	497	5 356	11 071
Disabled	31	48	4	17	100	20	93	2	8	123	223

CORPORATE SOCIAL INVESTMENT

Introduction

The HCI Foundation aims to facilitate change through interactive partnerships in order to make a significant and enduring impact in under-resourced communities.

In 2013 our categories of spend were refined to reflect our three major focus areas: education and professional skills training, development and enrichment, and the environment. Through it's programmes, the Foundation supports education at all levels, youth development and empowerment, and sustainable projects which protect the environment - with a focus on water, re-cycling and sanitation.

Our tertiary level bursary programme has for the first time included a small number of students at Honours level, and has improved its communication with students and institutions through visits and social media. Mentorship programmes have been extended to the first year intake at the major Western Cape institutions, with the Seardel programme producing encouraging results.

At high school and primary levels, in line with our commitment to the National Education Accord, we have continued working with underperforming schools in the belief that strong leadership is critical to school performance. As part of working in partnership, one of our additional aims last year was to increase parental and community involvement in children's education.

The Foundation's Community Transport Support Programme ("CTSP"), a collaboration with Golden Arrow Bus Services, has continued to grow and now supports 29 beneficiaries including arts-based projects, programmes for early childhood development, orphans and vulnerable children, the elderly and other marginalised groups. The annual CTSP event, where programme members are encouraged to network and build relationships, is becoming a key feature of the Foundation landscape.

Tertiary education

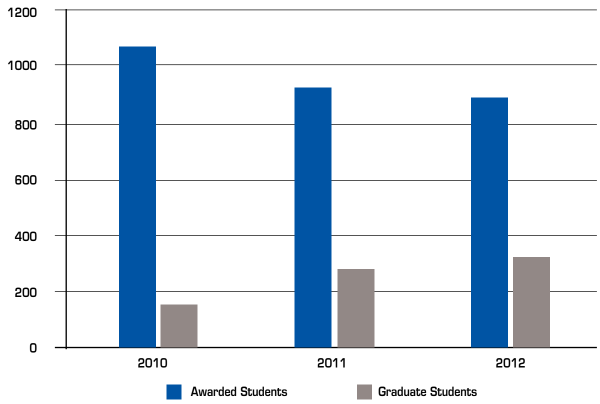
Tertiary bursary programme

2012 Awarded bursaries

The overall objective of the HCI Foundation bursary programme is to contribute to national development by providing tertiary bursaries to deserving students. Financial need and academic excellence are the two major factors considered for access to our funding.

For the year 2012, we received 4350 applications and made awards to 912 students. Our bursaries are spread across all national public universities and universities of technology based on a national allocation model which enables a more equitable distribution of bursaries.

Of the 912 awardees, 105 exited the programme in 2012, 89 of them having been awarded full cost bursaries by other donors. The number of graduates increased for a second consecutive year to 321 out of 912 students, compared with 279 out of 925 in 2011, and 161 out of 1075 in 2010, as shown in the graph below.



Campus based workshops

In 2012, a series of workshops for South African and refugee bursary recipients at the University of the Western Cape ("UWC") and the Cape Peninsula University of Technology ("CPUT") continued relationship building work begun in 2011. Students participated enthusiastically and acknowledged the value of the workshops which gave them a platform to interact and understand each other's struggles. For many students it was their first opportunity to engage with one another in a compassionate way, and the workshops succeeded in providing a forum for open discussion and building a bridge between the two communities. For the students, facilitators and HCI staff who participated this was a transformative process.

HCI company mentoring programme

2012 Institution visits

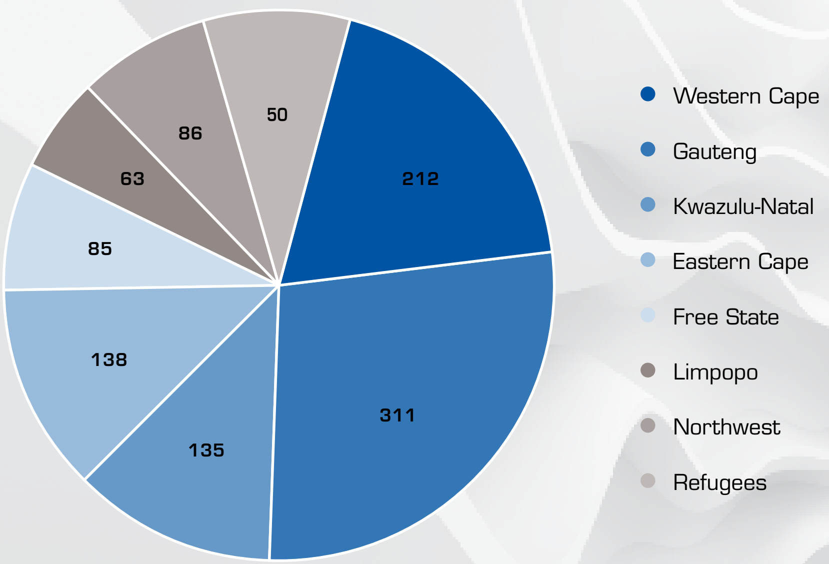
Fifteen visits, including six interactive workshops and nine informal meetings, were conducted by HCIF staff at institutions across the country in 2012. The impact of these visits can be measured in the strong relationships that we built with institutions and bursary recipients.

Through this engagement we have developed a stronger sense of HCI Foundation identity amongst our bursary recipients, based on the promotion of excellence and giving back to community. Just as we have learnt more about the challenges faced by students at different tertiary institutions, so have bursary recipients gained a greater understanding of the Foundation's work and the objectives of our bursary programme.

The Foundation also received a number of visits from vice-chancellors and executive members of institutions over the course of the year.

2013 application process

The 2013 application process was marked by a large increase in the number of applicants. We received a total of 9300 applications and allocated bursaries to 1080 students in 22 institutions across 7 provinces as shown in the table below.



CORPORATE SOCIAL INVESTMENT (CONTINUED)

Mentoring programme

During the period under review, the HCI Foundation began to develop mentorship programmes as part of the drive to get to know its bursary recipients better, and to provide additional support over and above financial assistance.

2012 Peer-to-Peer Mentoring Programme (P2P) – UCT

In 2012, a pilot mentoring programme was initiated at UCT to provide one-to-one peer support for the first year bursary students. Peer mentors were tasked with supporting junior students through the transition from high school to tertiary level education and encouraging them to make the most of the experience of being at university.

A partnership with the Cape SA Jewish Board of Deputies and Black Management Forum Young Professionals led to the identification of senior students willing to volunteer as mentors, and in 2012 sixteen paired mentor and mentees participated in the mentorship process.

At the end of 2012, thirteen of the sixteen passed their year of study, with 2 of the 3 students who failed continuing their studies at other universities. We believe that the mentoring programme encouraged these students to continue studying.

2013 P2P – University of Cape Town and University of the Western Cape

At UCT 18 paired mentors and mentees are taking part in the 2013 programme.

This programme was extended to the UWC for the first time in 2013 academic year, where 10 out of 21 bursary students have chosen to participate in the university's in house mentoring programme.

Thus, in 2013, 28 HCIF funded students across these two institutions are being supported and monitored through participation in the P2P programmes.

2013 HCI company mentoring programme

In 2013, a new HCIF programme has been implemented for first year students at the University of Stellenbosch (SUN) and CPUT.

Senior managers from HCI group companies in the Western Cape underwent a short training course before being linked up with 22 first year students according to course of study. A welcome lunch for mentors and mentees was hosted by Tsogo Sun at the Cape Sun Hotel in April 2013.

2012/2013 Seardel mentoring programme

The Seardel Mentoring Programme for trainee employees has been running since 2010; in 2012 a 93.9% pass rate was recorded for 66 students, representing an improvement of 2.4% on 2010 results.

By April 2013, 48 students were participating in the programme in KZN, Gauteng and the Western Cape, with 43 Seardel mentors operating in those regions.

Education and development

Tertiary education - teacher development

UCT Schools Development Unit ACE Programme (Advanced Certificate in Education)

The HCIF has included teacher development as a key element of its education programme since 2011.

Twelve students from the first cohort of teachers graduated with an ACE professional training qualification in 2012. In 2013 the Foundation is funding a new group of twenty students on this two year programme.

The programme focuses on literacy and numeracy to improve teaching in these core competencies, with the expectation that this intervention will also translate into improved learner results.

Secondary education

At secondary level, the Foundation's commitment to building capacity within school communities has led to an increased focus on longer term interventions and partnerships.

LEAP Science and Maths Schools

LEAP believes that personal empowerment, alongside a focus on maths and science, is key to supporting young South Africans from disadvantaged communities to distinguish themselves academically.

Our ongoing partnership with LEAP Schools is significant both in terms of our financial contribution and our joint commitment to reaching out to the communities from which the learners are drawn.

Overall end of year results for LEAP schools was a 94.7% pass rate, with LEAP 2, funded by the Foundation, achieving a pass rate of 85%.

Lavender Hill Secondary School

In addition to support for the Youth Empowerment through Schools (Y.E.S.) programme at Lavender Hill Secondary School, we funded the school principal to participate in the Symphonia Partners for Possibility (P4P) 12 month programme. This programme was completed in April 2013. At the end of the programme, follow-up is provided through membership of a Leadership Circle where other principals

Early childhood development

from the P4P programme meet regularly to support one another, share experiences and sustain the momentum of the challenging task of leadership in their respective schools. We have also supported the school's Tracking Programme to try to ascertain reasons for the high learner dropout rate.

North West University – Ikateleng

We have funded the Ikataleng project instituted by North West University in 1988 to assist Grade 10, 11, and 12 learners from poor communities to achieve better results and higher rates of university acceptance. The programme offers strategic choice of subjects for Matric level, and supplementary teaching with a focus on building competency in Science and English.

Having started at the university's Vanderbijlpark campus 24 years ago, the programme is now run from six venues including the Potchefstroom, Mafikeng and Vaal campuses, and in Kimberley, Rustenburg and Lichtenburg.

The link with HCIF also allows for the early identification of promising young learners who may be eligible for our Bursary Programme.

Primary education

Litha Primary School – Guguletu

We have worked with a number of role players at Litha Primary School in Gugulethu over the last year in order to fulfil our commitment to the National Education Accord, and these collaborations will continue in 2013.
The Edupeg Literacy and Numeracy programme is in its second year of implementation across all grades, with programme content and the relationship with the Edupeg staff playing a central role in work being done at the school. Whilst some improvements have been seen in reading and maths results, it is evident that teacher commitment is key to improving learner performance.

The opening of the library and reading room, and the newly formed Reading Club where Herzlia and LEAP students support Litha learners, has been a popular improvement at the school. These initiatives have been augmented with ongoing professional development for the school staff and Principal.

In February 2013, a well-attended meeting was held with the School Governing Body and parents to give information about interventions at the school, and to encourage parents and carers to be more involved in the education of their children. The Minister of Economic Development in the Presidency, Ebrahim Patel, attended and addressed the parents, staff and learners.

Early childhood development

Biblionef

Biblionef believes that a love of reading is fundamental to young children's success within the education system, and that this is best achieved by providing reading material for each child in their home language.

With this aim, the organisation distributes educational toys and age-appropriate books, in all South Africa's official languages to under-resourced children's organisations in rural and township areas.

In 2012, with the Foundation's assistance, Biblionef was able to provide educational resources and books to 15 ECD centres in Limpopo, and an additional 11 Grade R classes in 8 primary schools in KwaZulu-natal.

Schools and other organisations really value the African language books that they are given, since these are often the only books in their own language that their learners ever see.

CORPORATE SOCIAL INVESTMENT (CONTINUED)

Development and enrichment

Motsa FET life skills programme

MOTSA provides life skills training at FET Colleges and high schools to encourage students to make wise life and academic choices and complete their studies. The Foundation has entered into a partnership to fund this programme at selected FET Colleges to support students to complete their studies despite hardships.

Annual evaluations with students on the MOT programme, carried out by UWC's FET Institute, have found that students on the programme are more focused on their goals and less likely to be influenced by negative factors than their peers. Students' feedback on the personal impact of the programme is also encouragingly positive.

Keiskamma Trust

In January 2013, with support from the HCI Foundation, Keiskamma Music Academy based in the Eastern Cape took 48 of its students on a five day residential camp at Hobbiton Outdoor Centre in Hogsback.

This was a completely new experience for all the young people in this mixed age-group, many of whom had not been away from home before. Physical and problem solving activities provided new challenges. The camp gave students the opportunity to grow in confidence and self-esteem, to face their fears and celebrate their newfound skills, and share them with others.

Magnet Theatre

Magnet Theatre runs development programmes that teach creativity, imagination and theatre-making skills to township and rural youth who are unable to access tertiary education and who are willing to share their skills in their local communities.

During 2012, the Foundation continued its contribution towards the tuition of 15 Magnet trainees now in their second year of study, many of whom run theatre programmes in their home communities.

Magnet's recent production for pre-school and Foundation phase learners, TREE/BOOM/UMTHI, was specially developed for young children. Performances by trainees at nearly 100 community-based pre-school centres and schools in the Western Cape, reached an estimated 800 young children, for whom it was the first theatre performance they had ever seen.

Magnet has been a member of the Foundation's Community Transport Support Programme since 2010, and aims to develop new theatre audiences by facilitating access to its shows.

Waterberg Welfare Society

The Waterberg Welfare Society in Vaalwater Limpopo, was started in 2000 as a grassroots community-based NGO primarily providing help and support to those infected and affected by HIV/AIDS. The project's growth, due to its holistic approach to the treatment and care of those infected and affected by HIV/AIDS, has seen the addition of programmes for orphans and vulnerable children and youth, as well as skills development programmes.

The organisation advocates a gender sensitive approach to working with youth. In 2012 the HCI Foundation provided support for the Boys to Men programme, which gives young men a male role model to engage with, and raises awareness about relationships and responsible sexual behaviour.

In 2012 the Foundation also funded the first leg of an exchange visit between the WWS and the Hillcrest AIDS Centre in Durban. Two Hillcrest staff visited Waterberg to share experience and expertise, with a view to replicating each other's programmes. Waterberg Welfare Society's return visit to Hillcrest will take place in 2013.

Environment

Aqualima

Aqualima implements community development projects throughout Southern Africa through the provision of training programmes with an agro-ecological and sustainability focus.

At Thanda after-school near Hibberdene in KwaZulu-Natal, the recently constructed centre regularly prepares and

delivers meals to 325 children at nearby schools and gives additional support through mentoring, skills development and guidance. The Centre, which was planned and built on sustainable principles, uses solar power and harvests rainwater for its food garden. The installation of a bio-gas digester, with financial assistance from the Foundation, will generate methane gas for cooking, and effluent to fertilise the garden. A new, larger food garden will also be created to increase the amount of food available for the feeding scheme and to serve as a training ground for economic development in the agricultural sector.

Because the area has land, water and soil fertility, unemployed youth will also have the opportunity to develop skills and expertise through on-site training.

Tut Ndumo Goldfields Education Centre

Tshwane University of Technology Department of Nature Conservation and its students at the Goldfields Education Centre, have developed a flagship partnership with the management of the Ndumo Game Reserve and its local communities.

Programmes in 2012 include environmental education sessions with school learners at 13 local schools and 3 pre-schools, which were supported by the HCI Foundation. Other programmes included teacher facilitation workshops, eco-clubs, vegetable gardens and a gogo's knitting club.

Widespread poaching within the reserve area, largely attributed to poverty and lack of awareness, means that the Centre's educational work is increasingly viewed as critical to the future sustainability of the game reserve.

Community Transport Support Programme

The Western Cape based Community Transport Programme has more than doubled in size over the last 3 years, from 13 beneficiary projects in 2009 to 29 projects in 2012.

The Foundation hosted a lively meeting with programme beneficiaries in February 2013. Members of the programme have found this annual meeting to be a useful networking forum, where they can learn about one another's work and develop collaborative approaches and partnerships.

At this year's meeting the 40th anniversary of the Grassroots Educare Trust (which was the first beneficiary of the programme), was celebrated by all present.

Youth employment

The group has committed to collaborating with the Ministry of Economic Development both in relation to education, as described above, and in relation to the National Youth Accord as part of our commitment to equitable and sustainable economic growth.

Many of our businesses are natural employees of young people, and in a number of our subsidiaries youth make up a large proportion of the workforce. For example, 43% of Tsogo Sun's direct employees are under 35, and the vast proportion of employees at Galaxy Bingo and Vukani are also youth. In addition, we run a youth-focused radio station, Yfm, which runs its own internship programme, equipping young people to participate in the radio industry.

Our most direct contribution to the Youth Accord will be in our ability to employ young people. Over the next 12 – 18 months we expect to create new jobs for nearly 3 000 young people. One third of these jobs will be permanent, operational roles and the remaining two-thirds will be in construction. We have provided the Minister of Economic Development with a more detailed breakdown of these jobs and we will be monitoring our actual results relative to the targets we have set.


Community transport support programme


Biblionef


Campus based workshop

DIRECTOR'S REPORT
for the twelve months ended 31 March 2013

1. Nature of business

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

2. Operations and business

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

3. State of affairs and profit for the period

The group results reflect an overall increase of 6.4% in headline earnings when compared to the prior year. Earnings attributable to HCI shareholders increased by 4.2%. The headline earnings for the prior year included the following items that have not recurred in the current year:

- reversal of contingent purchase consideration relating to the acquisition of minorities in the Suncoast casino by Tsogo Sun, an aggregate gain of R102 million;
- net litigation settlement proceeds with former directors in Seardel, in aggregate R140 million; and
- certain deferred tax assets written off in Montauk Energy
- Capital amounting to R138 million. Headline earnings for the prior year, after adjusting for the above items, amounted to R918 million. Therefore, comparable headline earnings of R1 084 million reported for the current year represents growth of 18%.

Group EBITDA has decreased by 2% when compared to the prior year. Group EBITDA included the Seardel litigation settlement proceeds of R192 million in the prior year. If the effect of this is excluded, growth in group EBITDA is 12%.

Group revenue has grown by 8% when compared to the prior year. Significant increases were recorded in media and broadcasting (up 15%) on the back of continued advertising and subscription revenue growth. Other notable increased contributions were from non-casino gaming (up 34%), which includes the group's bingo and limited payout gaming operations, transport (up 11%) and mining (up 8%). Clothing, textiles and toys recorded negligible growth in a difficult trading environment and the curtailment of the vehicle component manufacture operations have resulted in a 27% decrease in revenues.

The group's overall financial position remains strong with the major businesses still generating strong cash flows. Group long-term borrowings at 31 March 2013 comprise borrowings of R319 million at head office level and R985 million in operating subsidiaries. Included in current liabilities is R136 million of term facilities due in the next 12 months and R600 million of preference share debt at head office level that will be refinanced into longer term borrowings subsequent to this report.

Cash flow from operating activities shows an increase compared to the prior year predominantly due to the improvement in the level of trade receivables of the group's clothing and textile interests. The group invested R819 million in property, plant and equipment, R203 million in investment properties and R136 million in distribution rights and other intangible assets during the year. Also included in cash flow from investing activities is the dividend of R290 million received from Tsogo Sun Holdings. Funding was raised predominantly by the group's transport and property interests.

4. Dividends

Ordinary dividend number 46, in the amount of twenty four cents per share, was paid to shareholders on 12 December 2012.

Ordinary dividend number 47, in the amount of eighty four cents per share, was paid to shareholders on 24th June 2013.

5. Share capital

During the period 4 033 116 ordinary shares were cancelled.

The company's authorised but unissued share capital was placed under the control of the directors until the forthcoming AGM with authority to allot and issue any shares limited to a maximum of three million shares, in their discretion, subject to section 38 of the South African Companies Act and the JSE Listings Requirements.

6. Directorate

The directors of the company appear on page 2. No changes have been made to the board of directors since the previous integrated report.

7. Company secretary

The secretary of the company is HCI Managerial Services Proprietary Limited. The secretary has an arms-length with the board of directors. There was no change in the office of the Company Secretary. The name, business and postal address of the Company Secretary are set out on the inside back cover of this report.

8. Auditors

PKF (Jhb) Inc merged with Grant Thornton (Jhb) Inc on the 1st July 2013. Grant Thornton (Jhb Inc) will continue in office in accordance with section 90 of the South African Companies Act, with Mr Ben Frey as the dedicated auditor.

9. Significant shareholders

The company's significant shareholders are Southern African Clothing and Textile Workers Union and MJA Golding who own 39.0% and 6.8% respectively. No shareholder has a controlling interest in the company.

10. Special resolutions

The following special resolutions were passed by the company's shareholders at a general meeting of shareholders held on 30 August 2012:

- Specific authority, in terms of HCI's MOI and the Companies Act, for the repurchase by HCI of up to 4 033 129 HCI shares in exchange for a distribution of 11.95191 Niveus Investments Shares for each HCI Repurchase share.

The following special resolutions were passed by the company's shareholders at the Annual General Meeting held on 29 October 2012:

- Approval of the fees payable to non-executive directors for their services as directors or as members of the board sub-committees in respect of the financial period ended 31 March 2013;
- Granting the company and the subsidiaries of the company a general authority in terms of the listings requirements of the JSE Limited for the acquisition by the company, or a subsidiary of the company, of ordinary issued shares issued by the company;

The following special resolutions were passed by the company's shareholders at a general meeting of shareholders held on 18 January 2013:

- Approval of the memorandum of incorporation of the company in line with the Companies Act, as amended, of 2008 to replace the memorandum of incorporation and articles of association of the company.

The following special resolutions were passed by the company's shareholders at a general meeting of shareholders held on 22 July 2013:

- General approval of the Provision of Financial Assistance in terms of sections 44 and 45 of the Companies Act

- Specific authority for the repurchase by the Company of 1 827 643 HCI Shares from Squirewood Investments 64 Proprietary Limited for a consideration of R123.30 per HCI Share and an aggregate consideration of R225 348 382.

- Specific authority for the repurchase by the Company and its Subsidiaries of up to 15 824 300 HCI Shares from SACTWU which will be cancelled following their acquisition and form part of the authorised but unissued share capital of the Company; and the acquisition of such HCI Shares be approved as a related party transaction for the purposes of the Listings Requirements."

- Approval of the amendment of the HCI Employee Scheme Document

11. Special resolutions of subsidiaries

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

12. Auditor's report

The consolidated annual financial statements have been audited by Grant Thornton (Jhb) Inc. and their unqualified audit report on the comprehensive annual financial statements and the summarised annual financial statements are available for inspection at the registered office of the company.

13. Shareholding of directors

The shareholding of directors of the company and their participation in the share incentive scheme and in the issued share capital of the company as at 31 March 2013, are set out in the remuneration report on page 54.

14. Directors' emoluments

Directors' emoluments incurred by the company and its subsidiaries for the year ended 31 March 2013 are set out in the remuneration report on page 55 and in note 41 in the annual financial statements.

15. Associates, joint ventures and subsidiaries

Details of the company's subsidiaries are set out in the annexure A in the annual financial statements available on the company website www.hci.co.za.

16. Borrowing powers

There are no limits placed on borrowing in terms of the memorandum of incorporation. Certain companies in the group have entered into various loan agreements with providers of loan finance. These loan agreements include various covenants and undertakings by companies in the group which may restrict the group's borrowing powers. Details of these covenants and undertakings are available from the registered office of the company.

17. Litigation statement

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

18. Material change

There has been no material change in the financial or trading position of the HCI group since the publication of its provisional results for the year ended 31 March 2013.

19. Subsequent events

The directors are not aware of any matter or circumstance arising since the end of the financial period, not otherwise dealt with within the financial statements that would affect the operations or results of the company or the group significantly.

The following events have occurred subsequent to the reporting date:

Subsequent to the reporting date the group has restructured its media interests through the following transactions:

- The Southern African Clothing and Textiles Workers Union purchased 30% of the ordinary share capital of HCI Invest 3 Holdco Proprietary Limited in exchange for 14 024 300 ordinary shares in the company. HCI Invest 3 Holdco Proprietary Limited held the group's interest in Sabido Investments Proprietary Limited immediately prior to this transaction.

- The remaining 70% interest held by the company in HCI Invest 3 Holdco Proprietary Limited was sold to Seardel Investment Corporation Limited, a subsidiary of the group, in exchange for 350 million N ordinary shares in that company.

For information relating to the financial effect of this restructure and any additional information refer to the circulars posted by the company and Seardel Investment Corporation Limited to shareholders on 21 June and 10 July 2013 respectively.

Other than as previously detailed in this report, the directors are not aware of any event or circumstance occurring between the reporting date and the date of this report that materially affects the results of the group or company for the year ended 31 March 2013 or the financial position at that date.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors of Hosken Consolidated Investments Limited are responsible for the preparation, integrity and fair presentation of the financial statements of the company and of the group and for other information contained in this integrated report. The summarised audited financial statements set out on pages 72 to 79 and the annual financial statements for the year ended 31 March 2013, available on the company website www.hci.co.za, have been prepared in accordance with International Financial Reporting Standards and include amounts based on prudent judgments and estimates by management.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the group or any company within the group will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of the company and the group. The financial statements have been audited by the independent auditing firm, Grant Thornton (Jhb) Inc, which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board.

The directors believe that all representations made to the independent auditors during the audit were valid and appropriate. The annual financial statements for the year ended 31 March 2013, which are available on the company website, were approved by the board of directors on 28 August 2013 and are signed on its behalf by:



MJA Golding	JA Copelyn	TG Govender
Chairman	Chief Executive Officer	Financial Director

28 August 2013
Cape Town

DECLARATION BY COMPANY SECRETARY

We certify that Hosken Consolidated Investments Limited has lodged with the Registrar of Companies, for the financial year ended 31 March 2013, all such returns as are required by a public company in terms of the Companies Act of South Africa and that such returns are true, correct and up to date.

HCI Managerial Services Proprietary Limited

HCI Managerial Services Proprietary Limited
Company secretary
28 August 2013
Cape Town

SUMMARISED AUDITED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited 31 March 2013 R'000	Audited* 31 March 2012 R'000	Audited 31 March 2011 R'000
ASSETS			
Non-current assets	**15 322 812**	13 883 204	12 879 841
Property, plant and equipment	**3 521 054**	2 932 761	2 769 835
Investment properties	**907 503**	557 886	564 685
Goodwill	**194 267**	186 212	144 205
Interest in associates and joint ventures	**9 461 708**	9 235 179	8 436 446
Other financial assets	**56 789**	105 869	116 230
Intangibles	**996 092**	701 348	577 218
Deferred taxation	**84 189**	67 928	189 203
Operating lease equalisation asset	**8 276**	8 258	2 658
Long-term receivables	**92 934**	87 763	79 361
Current assets	**4 878 741**	3 257 200	2 948 801
Other	**3 892 240**	2 535 750	2 368 669
Bank balances and deposits	**986 501**	721 450	580 132
Non-current assets held for sale	**2 543**	15 288	35 218
Total assets	**20 204 096**	17 155 692	15 863 860
EQUITY AND LIABILITIES			
Equity	**15 021 468**	12 836 030	11 226 344
Equity attributable to equity holders of the parent	**12 788 446**	11 777 703	10 500 409
Non-controlling interest	**2 233 022**	1 058 327	725 935
Non-current liabilities	**1 718 618**	1 592 601	2 350 869
Deferred taxation	**163 313**	97 898	114 138
Long-term borrowings	**1 304 221**	1 275 373	2 056 658
Operating lease equalisation liability	**118**	1 808	4 447
Other	**250 966**	217 522	175 626
Current liabilities	**3 462 320**	2 721 263	2 270 279
Non-current liabilities held for sale	**1 690**	5 798	16 368
Total equity and liabilities	**20 204 096**	17 155 692	15 863 860
Net asset carrying value per share (cents)	**10 378**	9 259	8 262

* Restated

CONSOLIDATED INCOME STATEMENT

	% change	Audited 31 March 2013 R'000	Audited 31 March 2012 R'000
Revenue		**7 524 162**	7 092 277
Net gaming win		**689 953**	519 396
Income	8%	**8 214 115**	7 611 673
Expenses		**(6 744 473)**	(6 109 766)
EBITDA	-2%	**1 469 642**	1 501 907
Depreciation and amortisation		**(412 906)**	(376 088)
Operating profit	-6%	**1 056 736**	1 125 819
Investment income		**53 281**	59 694
Finance costs		**(178 094)**	(193 845)
Share of profits of associates and joint ventures		**691 799**	697 127
Gain on bargain purchase		**264 422**	107 659
Investment surplus		**35 416**	162 203
Fair value adjustments of investment properties		**427**	(47 736)
Impairment reversals		**22 822**	20 365
Asset impairments		**(56 458)**	(54 652)
Fair value adjustments of financial instruments		**10 834**	75 768
Impairment of goodwill and investments		**(1 084)**	(27 712)
Profit before taxation	-1%	**1 900 101**	1 924 690
Taxation		**(294 759)**	(466 583)
Profit for the year from continuing operations	10%	**1 605 342**	1 458 107
Discontinued operations		**(2 078)**	(20 277)
Profit for the year		**1 603 264**	1 437 830
Attributable to:			
Equity holders of the parent	4%	**1 269 229**	1 217 978
Non-controlling interest		**334 035**	219 852
		1 603 264	1 437 830

SUMMARISED AUDITED FINANCIAL STATEMENTS (continued)

RECONCILIATION OF HEADLINE EARNINGS

	% change	2013 Gross R'000	Audited 2013 Net R'000	2012 Gross R'000	Audited 2012 Net R'000
Earnings attributable to equity holders of the parent			1 269 229		1 217 978
IAS 16 gains on disposal of property		-	-	(75 336)	(53 463)
IAS 16 gains on disposal of plant and equipment		(16 846)	(14 688)	(9 878)	(8 875)
IAS 16 impairment of plant and equipment		15 134	8 344	53 542	47 488
IAS 38 impairment of intangible assets		-	-	7 609	7 575
IFRS 3 impairment of goodwill		1 084	922	27 712	24 704
IFRS 3 gain on bargain purchase		(264 422)	(142 941)	(107 659)	(85 655)
IAS 28 gain on disposal of associates		(25 954)	(25 954)	-	-
IAS 28 impairment of associates		43 024	29 059	-	-
IAS 36 reversal of impairments		(22 822)	(17 361)	(20 365)	(15 903)
IAS 27 profit from disposal / part disposal of subsidiary		-	-	(86 867)	(74 706)
IAS 40 fair value adjustment to investment property		(427)	(463)	47 736	38 122
Other re-measurements and gains		(32 012)	(30 050)	-	-
Re-measurements included in equity-accounted earnings of associates and joint ventures		8 886	8 851	(77 429)	(77 100)
Headline profit	6%		1 084 948		1 020 165
Basic earnings per share (cents)					
Earnings	5%		1 006.16		957.91
Continuing operations			1 007.58		973.86
Discontinued operations			(1.42)		(15.95)
Headline earnings	7%		860.07		802.33
Continuing operations			860.28		813.68
Discontinued operations			(0.21)		(11.35)
Weighted average number of shares in issue ('000)			126 146		127 149
Actual number of shares in issue at end of year (net of treasury shares) ('000)			123 224		127 198
Diluted earnings per share (cents)					
Earnings	6%		985.05		927.63
Continuing operations			986.44		943.07
Discontinued operations			(1.39)		(15.44)
Headline earnings	8%		842.03		776.97
Continuing operations			842.23		787.96
Discontinued operations			(0.20)		(10.99)
Weighted average number of shares in issue ('000)			128 849		131 300

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Audited 31 March 2013 R'000	Audited 31 March 2012 R'000
Profit for the year	**1 603 264**	1 437 830
Other comprehensive income:		
Foreign currency translation differences	**288 244**	150 977
Cash flow hedge reserve	**(9 973)**	(8 411)
Asset revaluation reserve	**(5 382)**	(4 360)
Total comprehensive income	**1 876 153**	1 576 036
Attributable to:		
Equity holders of the parent	**1 533 012**	1 349 708
Non-controlling interest	**343 141**	226 328
	1 876 153	1 576 036

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Audited 31 March 2013 R'000	Audited 31 March 2012 R'000
Balance at beginning of year	**12 836 030**	11 226 344
Share capital and premium		
Treasury shares released	**76 410**	6 154
Shares repurchased	**(114 324)**	-
Current operations		
Total comprehensive income	**1 876 153**	1 576 036
Equity settled share-based payments	**17 233**	14 940
Non-controlling interest on acquisition of subsidiaries	**595 270**	160 350
Disposal of subsidiary	**-**	(497)
Effects of changes in holding	**90 202**	10 865
Dividends	**(355 506)**	(158 162)
Balance at end of year	**15 021 468**	12 836 030

SUMMARISED AUDITED FINANCIAL STATEMENTS (continued)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited 31 March 2013 R'000	Audited 31 March 2012 R'000
Cashflows from operating activities	**891 888**	687 563
Cashflows from investing activities	**(992 712)**	(430 244)
Cashflows from financing activities	**92 436**	(345 337)
Decrease in cash and cash equivalents	**(8 388)**	(88 018)
Cash and cash equivalents		
At beginning of year	**253 141**	308 241
Foreign exchange differences	**67 009**	32 918
At end of year	**311 762**	253 141
Bank balances and deposits	**986 501**	721 450
Bank overdrafts	**(674 739)**	(468 309)
Cash and cash equivalents	**311 762**	253 141

SEGMENTAL ANALYSIS

	Revenue 31 March 2013 R'000	Net gaming win 31 March 2013 R'000	Revenue 31 March 2012 R'000	Net gaming win 31 March 2012 R'000
Media and broadcasting	2 193 912	-	1 915 134	-
Non-casino gaming#	27 672	689 953	15 354	519 396
Information technology	286 527	-	326 348	-
Transport	1 130 774	-	1 021 412	-
Vehicle component manufacture	333 722	-	455 578	-
Beverages	175 565	-	-	-
Properties	56 521	-	78 289	-
Mining	556 129	-	513 012	-
Natural gas	237 298	-	257 022	-
Clothing, textiles and toys	2 513 486	-	2 506 794	-
Other	12 556	-	3 334	-
Total	7 524 162	689 953	7 092 277	519 396

	EBITDA 31 March 2013 R'000	31 March 2012 R'000
Media and broadcasting	833 735	765 748
Non-casino gaming#	194 720	142 193
Information technology	72 422	60 034
Transport	210 228	199 331
Vehicle component manufacture	17 552	21 409
Beverages	(4 496)	-
Properties	28 244	22 334
Mining	85 792	75 962
Natural gas	33 368	55 294
Clothing, textiles and toys	99 733	233 145
Other	(101 656)	(73 543)
Total	1 469 642	1 501 907

SUMMARISED AUDITED FINANCIAL STATEMENTS (continued)
SEGMENTAL ANALYSIS (CONTINUED)

	Profit before tax	
	31 March 2012 R'000	31 March 2012 R'000
Media and broadcasting	**715 329**	639 181
Non-casino gaming#	**108 592**	84 188
Casino gaming and hotels	**675 324**	708 895
Information technology	**59 452**	47 288
Transport	**131 731**	129 988
Vehicle component manufacture	**(7 397)**	(19 210)
Beverages	**(23 873)**	(6 883)
Properties	**33 146**	66 922
Mining	**64 226**	42 469
Natural gas	**(62 727)**	(74 165)
Clothing, textiles and toys	**43 041**	149 327
Other	**163 257**	156 690
Total	**1 900 101**	1 924 690

	Headline earnings	
	31 March 2012 R'000	31 March 2012 R'000
Media and broadcasting	**319 132**	282 056
Non-casino gaming#	**57 119**	62 395
Casino gaming and hotels	**682 272**	632 204
Information technology	**21 764**	15 889
Transport	**97 111**	100 120
Vehicle component manufacture	**(11 134)**	5 044
Beverages	**(14 348)**	(10 444)
Properties	**21 690**	(1 077)
Mining	**45 759**	51 722
Natural gas	**(86 885)**	(175 210)
Clothing, textiles and toys	**18 420**	110 889
Other	**(65 952)**	(53 423)
Total	**1 084 948**	1 020 165

Non-casino gaming includes the results of the group's limited payout gaming and bingo operations in the current and prior year. The results of the bingo operations were previously included in Other.

NOTES TO THE SUMMARISED AUDITED FINANCIAL STATEMENTS

Basis of preparation and accounting policies

The results for the year ended 31 March 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the disclosure requirements of IAS 34, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the requirements of the South African Companies Act, 2008, and the Listings Requirements of the JSE Limited. The accounting policies of the group are consistent with those applied for the year ended 31 March 2012. As required by the JSE Limited Listings Requirements, the group reports headline earnings in accordance with Circular 03/2012: Headline Earnings as issued by the South African Institute of Chartered Accountants.

The comparative results have been restated as follows:

During the year ended 31 March 2012 Sabido Investments acquired a 100% interest in Powercorp International Limited, a London-based global content distributor of films and television series. The purchase price allocated to certain trade receivables recognised on this acquisition has been restated retrospectively for the year ending 31 March 2012.

The impact of this restatement on the results presented by HCI was that trade and other receivables decreased by R28,4 million and goodwill increased by R28,4 million in the prior year. Opening equity attributable to equity holders of the parent in the current year was not affected.

These financial statements were prepared under the supervision of the financial director, Mr TG Govender, B.Compt (Hons).

BUSINESS COMBINATIONS

Beverages

Niveus Investments Limited ("Niveus"), through its wholly owned subsidiary, HCI-KWV Holdings Proprietary Limited, purchased an additional 8 million shares in KWV Holdings Limited ("KWV") for a R7 million cash consideration and through the issue of 5.5 million Niveus shares on 14 December 2012. Subsequent to the transaction, Niveus was the holder of 51.6% KWV shares and the transaction therefore resulted in the acquisition of control.

KWV contributed revenue of R175 million and losses before tax of R9 million since the date of acquisition. Had the acquisition occurred on 1 April 2012 the contribution to revenue would have been R783 million and the loss before tax R61 million.

The details of the net assets acquired on the above business combination, for which the purchase price has been allocated to the respective assets and liabilities on a provisional basis, is as follows:

	R'000
Non-current assets	244 203
Current assets	1 187 637
Non-current liabilities	(37 465)
Current liabilities	(164 478)
Net assets acquired	1 229 897
Non-controlling interest	(595 270)
Gain on bargain purchase	(264 422)
Shares issued	(71 499)
Interest held prior to acquisition	(291 361)
Cash balances acquired	(102 686)
Net cash received	(95 341)

Other business combinations

Oceania Capital Partners Limited, through its 95% owned subsidiary, Eon Broadcasting Proprietary Limited, acquired all of the shares in Sunshine Coast Broadcasters Proprietary Limited ("SCB"), effective 1 March 2013. SCB operates two FM radio stations on the Sunshine Coast in Queensland, Australia.

The details of the net assets acquired on the above business combination, for which the purchase price has been allocated to the respective assets and liabilities on a provisional basis, is as follows:

	R'000
Non-current assets	155 651
Current assets	7 534
Non-current liabilities	(609)
Net assets acquired	162 576
Net cash paid	162 576

The acquired business contributed revenues of R6.4 million and profit before tax of R2.4 million to the group for the year ended 31 March 2013. Had the acquisition been effective on 1 April 2012, the contribution to revenue would have been R51.1 million and profit before tax R13.9 million.

Discontinued operations and non-current assets held for sale

Discontinued operations as disclosed in the group income statement for the year under review relate to the door module and pulley division of Formex Industries Proprietary Limited.

The non-current assets held for sale, as disclosed in the group statement of financial position, relate to the following:

- the remaining assets of the pulley division of Formex, the operations of which had ceased in the year to March 2010; and
- certain assets of the Seardel group which have been committed to being disposed of following the closure of the related divisions.

NOTICE TO MEMBERS

HOSKEN CONSOLIDATED INVESTMENTS LIMITED
Registration number 1973/007111/06
Incorporated in the Republic of South Africa
(HCI or the Company)
ISIN Code: ZAE000003257 Share Code: HCI

Notice to shareholders for the year ended 31 March 2013

NOTICE IS HEREBY GIVEN that the annual general meeting of Hosken Consolidated Investments Limited ("the company") will be held on Monday, 28 October 2013 at 11:00 at the offices of the company, Block B, Longkloof Studios, Darters Road, Gardens, Cape Town, 8001.

This document is available in English only. The proceedings at the meeting will be conducted in English

General instructions and information

Participants at the annual general meeting will be required to provide proof of identification to the reasonable satisfaction of the chairman of the annual general meeting and must accordingly provide a copy of their identity document, passport or driver's licence at the annual general meeting for verification.

The Board of directors of the company determined, in accordance with section 59 of the Companies Act, 71 of 2008, as amended (Act), that the record date for the purpose of determining which shareholders of the company were entitled to receive notice of the annual general meeting was 13 September 2013 and the record date for purposes of determining which shareholders of the company are entitled to participate in and vote at the annual general meeting is 18 October 2013. Accordingly, only shareholders who are registered in the register of shareholders of the company on 18 October 2013 will be entitled to participate in and vote at the annual general meeting.

All shareholders are entitled to attend, speak and vote at the annual general meeting. If you hold certificated shares (i.e. have not dematerialised your shares in the company) or are registered as an "own name" dematerialised shareholder (i.e. have specifically instructed your Central Securities Depository Participant ("CSDP") to hold your shares in your own name on the company's sub-register), then:

- you may attend and vote at the annual general meeting; alternatively
- you may appoint one or more proxies (who need not be shareholders of the company) to represent you at the annual general meeting by completing the attached form of proxy and returning it to the office of the transfer secretaries, to be received by no later than 24 (twenty four) hours prior to the time appointed for the holding of the meeting.

Please note that the company intends to make provision for shareholders of the company, or their proxies, to participate in the annual general meeting by way of video conference in Johannesburg. Should you wish to participate in the annual general meeting by way of video conference as aforesaid, you are required to give notice of such proposed participation to the company at its registered office or at the office of the transfer secretaries by no later than 12h00 on Friday, 25 October 2013. In order for the notice to be valid, it must be accompanied by the following:

- if the shareholder is an individual, a certified copy of his identity document and/or passport;
- if the shareholder is not an individual, a certified copy of the resolution adopted by the relevant entity authorising the representative to represent the shareholder at the annual general meeting and a certified copy of the authorised representative's identity document and/or passport;
- a valid e-mail address and/or facsimile number for the purpose of receiving details of the video conference facility that will be made available.

Upon receipt of the aforesaid notice and documents, the company shall notify you of the relevant details of the video-conference facilities available in Johannesburg at which you can participate in the annual general meeting by way of electronic communication.

Please note that if you own dematerialised shares (i.e. have replaced the paper share certificates representing the shares with electronic records of ownership under the JSE Limited's ("JSE") electronic settlement system held through a CSDP or broker (or their nominee) and are not registered as an "own name" dematerialised shareholder you are not a registered shareholder of the company. Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or broker, as the case may be:

- if you wish to attend the annual general meeting, you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from it; alternatively
- if you are unable to attend the annual general meeting but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish it with your voting instructions in respect of the annual general meeting and / or request it to appoint a proxy. You must not complete the attached form of proxy.

The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be, within the time period required by your CSDP or broker, as the case may be. CSDPs, brokers or their nominees, as the case may be, recorded in the company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner should, when authorised in terms of their mandate or instructed to do so by the person on behalf of whom they hold dematerialised shares, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the office of the company's transfer secretaries to be received by not less than 24 (twenty-four) hours prior to the time appointed for the holding of the meeting (excluding Saturdays, Sundays and public holidays).

NOTICE TO MEMBERS

On a poll, shareholders are entitled to 1 vote per ordinary share.

Unless otherwise specifically provided below, for any of the ordinary resolutions to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof. For any special resolutions to be adopted, more than 75% of the voting rights exercised on each special resolution must be exercised in favour thereof.

The integrated annual report to which this notice of annual general meeting is attached provides details of:

- the directors and management of the company, including brief CVs of the directors nominated for re-election, on pages 34 and 35;
- the major shareholders of the company on page 31;
- the directors' interests in securities on page 54; and
- the share capital of the company in note 19 and an analysis of shareholders on page 30.

There are no material changes to the Group's financial or trading position (other than as disclosed in the accompanying integrated annual report), nor are there any legal or arbitration proceedings that may materially affect the financial position of the Group between 31 March 2013 and the reporting date.

The directors, accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made, and that the annual report and this notice provide all information required by law and the Listings Requirements of the JSE ("JSE Listings Requirements")

PURPOSE

1. Transacting the following business:

   1.1 To present the audited annual financial statements of the Company and its subsidiaries (Group) for the year ended 31 March 2013, the associated Directors' report, External Auditor's report, the Audit and Risk Committee report and the Social and Ethics Committee report;

   1.2 to elect Directors in the place of those retiring in accordance with the Company's Memorandum of Incorporation; and

   1.3 such other business as may be transacted at an annual general meeting.

2. Considering, and if deemed fit, passing, with or without modification, the below mentioned ordinary and special resolutions.

The purpose of the annual general meeting is for the following business to be transacted and the following resolutions to be proposed, all of them as ordinary resolutions unless the contrary appears:

AGENDA:

1. To present the annual financial statements and reports

The consolidated audited annual financial statements of the company and its subsidiaries, including the external auditors', audit committee's and directors' reports for the year ended 31 March 2013, have been distributed as required in terms of the company's Memorandum of Incorporation ("MOI") and the Companies Act, and will be presented to shareholders at the annual general meeting.

The complete set of the consolidated audited annual financial statements are set out on pages 72 to 79 of the document to which this notice of annual general meeting is attached. The director's report is set out on pages 68 to 70, and the audit committee report is set out on pages 47 to 48, of the document to which this notice of annual general meeting is attached.

2. Appointment of directors

2.1 **Re-election of Ms VM Engel as a non-executive director – ordinary resolution number 2**

"Resolved that Ms VM Engel, who is required to retire in terms of the company's MOI and who is eligible and have offered herself for re-election, be and is hereby elected as a director."

In terms of the company's MOI at least one-third of the non-executive 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.

The board has evaluated the past performance of Ms VM Engel and recommends her re-election. For CV details of Ms VM Engel, please see page 35.

2.2. **Re-election of Mr Y Shaik as a non-executive director – ordinary resolution number 3**

"Resolved that Mr Y Shaik, who is required to retire in terms of the company's MOI and who is eligible and have offered himself for re-election, be and is hereby elected as a director."

In terms of the company's MOI at least one-third of the non-executive 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.

The board has evaluated the past performance of Mr Y Shaik and recommends his re-election. For CV details of Mr Y Shaik, please see page 34.

2.3. **Re-election of Dr LM Molefi as a non-executive director – ordinary resolution number 4**

"Resolved that Dr LM Molefi, who is required to retire in terms of the company's MOI and who is eligible and have offered herself for re-election, be and is hereby elected as a director."

In terms of the company's MOI at least one-third of the non-executive 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.

The board has evaluated the past performance of Dr LM Molefi and recommends her re-election. For CV details of Dr LM Molefi, please see page 34.

3. **Reappointment of auditor – ordinary resolution number 5**

The company's audit committee has recommended that Grant Thornton (Jhb) Inc. be re-appointed as the auditors of the company, for the ensuing year and to note that the individual registered auditor who will undertake the audit during the financial year ending 31 March 2014 is Mr Frey. Accordingly, the directors propose that the following resolution be adopted:

"Resolved that Grant Thornton (Jhb) Inc is hereby appointed as the auditor to the company for the ensuing year."

The reason for ordinary resolution number 5 is that the company, being a public listed company, must have its financial results audited and such auditor must be appointed or re-appointed each year at the annual general meeting of the company as required by the Companies Act.

4. **Appointment of audit committee – ordinary resolution numbers 6.1, 6.2, 6.3**

4.1. Appointment of audit committee – ordinary resolution number 6.1

"Resolved that Ms B Hogan (see CV details on page 35) be appointed to the audit committee of the company for the ensuing year."

4.2. Appointment of audit committee – ordinary resolution number 6.2

"Resolved that Dr LM Molefi (see CV details on page 34) be appointed to the audit committee of the company for the ensuing year."

4.3. Appointment of audit committee – ordinary resolution number 6.3

"Resolution that Mr Y Shaik (see CV details on page 34) be appointed to the audit committee of the company for the ensuing year."

The reason for ordinary resolution numbers 6.1 to 6.3 is that the company, being a public listed company, must appoint an audit committee and the Companies Act requires that the members of such audit committee be appointed at each annual general meeting of a company.

Under the Act, the audit committee is no longer a committee of the board but instead is a committee elected by shareholders and others entitled to exercise votes at the meeting when the election takes place.

The members of the audit committee have been nominated by the board of directors for appointment as members of the company's audit committee in terms of section 94(2) of the Companies Act. The board of directors has reviewed the proposed composition of the audit committee against the requirements of the Companies Act and the Regulations under the Companies Act and has confirmed that if all the individuals referred to above are elected, the committee will comply with the relevant requirements and have the necessary knowledge, skills and experience to enable it to perform its duties in terms of the Companies Act.

5. **General authority over unissued shares – ordinary resolution number 7**

"Resolved that all the unissued authorised shares in the company, be and are hereby placed under the control of the directors, subject to the provisions of the Companies Act, the MOI and the JSE Listings Requirements, until the next annual general meeting."

No issue of these shares is contemplated at the present time and no issue will be made that could effectively change the control of the company without the prior approval of shareholders in a general meeting.

6. **General authority to issue shares and options for cash – ordinary resolution number 8**

"Resolved that the directors of the company be and are hereby authorised by way of a general authority to issue (which shall for the purposes of the JSE Listings Requirements include the sale of treasury shares) for cash (as contemplated in the JSE Listings Requirements) all or any of the authorised but unissued shares in the capital of the company, including options, as and when they in their discretion deem fit, subject to the Companies Act, the MOI of the company and the JSE Listings Requirements as presently constituted and which may be amended from time to time, and provided that such issues for cash may not, in the aggregate, in any 1 (one) financial year, exceed 15% (fifteen percent) of the number of shares of the relevant class of shares issued prior to such issue."

Additional requirements imposed by the JSE Listings Requirements:

It is recorded that the company may only make an issue of shares for cash under the above general authority if the following JSE Listings Requirements are met:

- the shares, which are the subject of the issue for cash, must be of a class already in issue, or where this is not the case, must be limited to such equity securities or rights that are convertible into a class already in issue;
- the general authority shall only be valid until the company's next annual general meeting or for 15 (fifteen) months from the date of passing of this ordinary resolution, whichever period is shorter; - a paid press announcement will be

published giving full details, including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 (thirty) days prior to the date that the price of the issue was agreed in writing between the company and party/ies subscribing for such shares and the expected effect on the net asset value per share, net tangible asset value per share,earnings per share and headline earnings per share at the time of any issue representing, on a cumulative basis within1 (one) financial year, 5% (five percent) of the number of shares in issue prior to that issue;

- that issues in the aggregate in any 1 (one) financial year may not exceed 15% (fifteen percent) of the number of the shares of the Company in issue of that class of shares before such issue, taking into account the dilution effect of convertible equity securities and options in accordance with the JSE Listings Requirements;
- in determining the price at which an issue of shares may be made in terms of this general authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of those shares measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed to between the company and the party/ies subscribing for the shares; and
- any issue will only be made to "public shareholders" as defined by the JSE Listings Requirements and not to related parties.

Although this is an ordinary resolution, the minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

7. **Advisory endorsement of remuneration report for the year ended 31 March 2013 – non-binding resolution number 9**

"To endorse on an advisory basis, the company's remuneration policy on page 49 of the integrated annual report, (excluding the remuneration of the non-executive directors for their services as directors and members of board committees)."

Motivation for advisory endorsement

In terms of the King Code of Governance Principles for South Africa 2009, an advisory vote should be obtained from shareholders on the company's annual remuneration policy. The vote allows shareholders to express their views on the remuneration policies adopted and their implementation, but will not be binding on the company.

8. **Approval of annual fees to be paid to non-executive directors – special resolution number 1.**

"To approve for the period 1 November 2013 until the date of the next annual general meeting of the company, the remuneration payable to non-executive directors of the company for their services as directors as follows"

Non-executive director	Fee R'000
VM Engel	225
B Hogan	318
MF Magugu	284
VE Mphande	225
LM Molefi	337,5
JG Ngcobo	337,5
Y Shaik	318

Reason for and effect of special resolution number 1

This resolution is proposed in order to comply with the requirements of the Act. in terms of section 65(11)(h) of the Act read with sections 66(8) and 66(9) of the Act, remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the holders within the previous 2 (two) years and, only if this is not prohibited in terms of the company's memorandum of incorporation.

The payment of remuneration to directors for their services as directors is not prohibited by the company's memorandum of incorporation. This special resolution applies only to non-executive directors, as executive directors are required to attend meetings as part of their terms of employment and do not receive remuneration for their services as directors in addition to salaries they receive by virtue of their employment by the company.

The proposed directors' remuneration payable to non-executive directors is based on best practice and aimed at ensuring fair and competitive remuneration practices. It is important for the company to attract new directors and retain directors with the relevant capabilities, skills and experience required to effectively conduct the business of the board and lead the company according to its strategic priorities.

9. **General authority to repurchase company shares – special resolution number 2**

"Resolved that the company hereby approves, as a general approval contemplated in JSE Listings Requirement 5.72, the acquisition by the company or any of its subsidiaries from time to time of the issued shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but subject to the provisions of the Companies Act and the JSE Listings Requirements as presently constituted and which may be amended from time to time, and provided that:

- acquisitions by the company and its subsidiaries of shares in the capital of the company may not, in the aggregate, exceed in any one financial year 20% (twenty per cent) (or 10% (ten per cent) where such acquisitions relate to the acquisition by a subsidiary) of the company's issued share capital of the class of the repurchased shares from the date of the grant of this general authority;

- any such acquisition of shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);
- the company (or any subsidiary) is authorised to do so in terms of its MOI;
- this general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the company's shares are acquired by the company or its subsidiaries in terms of this general authority, the maximum premium at which such shares may be acquired may not be greater than 10% (ten per cent) above the weighted average of the market price at which such shares are traded on the JSE for the 5 (five) business days immediately preceding the date the repurchase transaction is effected;
- at any point in time, the company may only appoint one agent to effect any repurchase(s) on the company's behalf;
- the company or its subsidiaries may not repurchase shares during a prohibited period as defined in paragraph 3.67 of the Listings Requirements of the JSE unless there is a repurchase programme in place and the dates and quantities of shares to be repurchased during the prohibited period are fixed and full details there of have been disclosed in an announcement on SENS prior to commencement of the prohibited period;
- in the case of a derivative (as contemplated in the JSE Listings Requirements) the price of the derivative shall be subject to the limits set out in paragraph 5,84(a) of the JSE Listings Requirements;
- a paid press announcement will be published as soon as the company and/or its subsidiaries has/have acquired shares constituting, on a cumulative basis 3% (three per cent) of the number of shares of the class of shares repurchased in issue at the time of granting of this general authority, and each time the company acquires a further 3% (three per cent) of such shares thereafter, which announcement shall contain full details of such acquisitions."

Statement by the board of directors of the company

Pursuant to and in terms of the JSE Listings Requirements, the board of directors of the company hereby states that:

a. it is their intention to utilise the general authority to acquire shares in the company if at some future date the cash resources of the company are in excess of its requirements or there are good grounds for doing so. In this regard the directors will take account of, inter alia, an appropriate capitalisation structure for the company, the long-term cash needs of the company, and the interests of the company;
b. in determining the method by which the company intends to acquire its shares, the maximum number of shares to be acquired and the date on which such acquisition will take place, the directors of the company will only make the acquisition if at the time of the acquisition they are of the opinion that:
    - the company and its subsidiaries would, after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the next 12 (twelve) months after the date of this notice of the annual general meeting;
    - the consolidated assets of the company and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards and recognised and measured in accordance with the accounting policies used in the latest audited financial statements, would, after the repurchase, be in excess of the consolidated liabilities of the company and its subsidiaries for the next 12 (twelve) months after the date of this notice of the annual general meeting;
    - the issued share capital and reserves of the company and its subsidiaries would, after the repurchase, be adequate for the ordinary business purposes of the company or any acquiring subsidiary for the next 12 (twelve) months after the date of approval of this notice of the annual general meeting;
    - the working capital available to the company and its subsidiaries would, after the repurchase, be adequate for the ordinary business purposes for the next 12 (twelve) months after the date of approval of this notice of the annual general meeting;
    - the company and its subsidiaries pass the solvency and liquidity test and that from the time that the test is done, there are no material changes to the financial position of the company or any acquiring subsidiary;

c. They will not make any repurchase until such time as the company's sponsors have provided the JSE with a letter in relation to the working capital statement set out above (as required in terms of the JSE Listings Requirements).

The reason for special resolution number 2 is to grant the company a general authority in terms of the JSE Listings Requirements for the acquisition by the company, or any of its subsidiaries, of shares issued by the company, which authority shall be valid until the earlier of the next annual general meeting of the company.

The passing and registration of this special resolution will have the effect of authorising the company or any of its subsidiaries to acquire shares issued by the company.

10. **Authorisation of directors – ordinary resolution number 10**

"Resolved that each and every director of the company be and is hereby authorised to do all such things and sign all such documents as may be necessary or incidental to the implementation of the resolutions passed at this annual general meeting."

To consider and, if approved, to pass with or without modification, the resolutions set out below, in the manner required by the Act, as read with the Listings Requirements of the exchange operated by JSE Limited ('JSE'):

11. **To transact such other business which may be transacted at an annual general meeting**

By order of the Board
28 August 2013
Cape Town

CORPORATE ADMINISTRATION

DIRECTORS

Executive Directors

Marcel Jonathan Anthony Golding (Chairman)
Block B, Longkloof Studios
Darters Road, Gardens
Cape Town, 8001

John Anthony Copelyn (Chief Executive Officer)
Block B, Longkloof Studios
Darters Road, Gardens,
Cape Town, 8001

Theventheran Govindsamy Govender [Kevin]
(Financial Director)
Block B, Longkloof Studios
Darters Road, Gardens
Cape Town, 8001

Non-Executive Directors

Virginia Mary Engel
11 Constantia Close
Marina da Gama, 7945

Barbara Hogan #
204 Knightsbridge
9th Street
Killarney, 2193

Mimi Freddie Magugu #
No. 41 Clovelly Road
Sunny Ridge
East London

Dr Lynette Moretlo Molefi #
65 Kyalami Boulevard
Kyalami, 1684

Velaphi Elias Mphande
48 Main Road
Howick, 3290

Jabulani Geffrey Ngcobo #
P.O.Box 136
New Hanover
3230

Yunis Shaik #
52 Troon Road
Greenside, 2193

Independent

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COMPANY REGISTRATION NUMBER
1973/007111/06

SHARE CODE
HCI ISIN: ZAE000003257

COMPANY SECRETARY AND REGISTERED OFFICE
HCI Managerial Services Proprietary Limited
Block B, Longkloof Studios
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Cape Town, 8001

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Telefax: (021) 426 2777
P O Box 5251
Cape Town, 8000

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Registration number 1994/001166/21
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Wierda Valley,
Johannesburg, 2196
Private Bag X10046,
Sandton, 2146

BANKERS
First National Bank of Southern Africa Limited

SPONSOR
Investec Bank Limited
100 Grayston Drive
Sandton, Sandown, 2196

TRANSFER SECRETARIES
Computershare Investor Services Proprietary Limited
70 Marshall Street
Johannesburg, 2001
PO Box 61051
Marshalltown, 2107