2017

Hosken Consolidated Investments Limited

INTEGRATED ANNUAL REPORT

DENEB
INVESTMENTS LIMITED

e Media Holdings

NIVEUS

TSOGO SUN

HCI Coal

GA

IMPACT

HCI Properties

bsg

KAROSHOEK

HCI foundation

SACTWU

HEI 17

20

YEARS OF:
ENDURANCE,
PATIENCE
AND SYSTEMATIC
GROWTH

CONTENTS

SCOPE OF INTEGRATED REPORT AND ASSURANCE

Reporting approach

We are pleased to present our integrated annual report to our stakeholders for the year ending 31 March 2017. The report provides a review of the Group's financial, social and environmental performance on matters material to the Group and those of interest to the Group's key stakeholders.

In line with the requirements of the King Report on Corporate Governance, HCI is aiming for enhanced reporting systems and measures so as to provide increased value added information to stakeholders. Generally, detailed forward-looking information is not provided. The financial and other information has been prepared in accordance with the requirements of IFRS, the South African Companies Act 2008, the JSE Listings Requirements and the International <IR> framework as applicable.

The group is continuously improving its combined assurance model. Combined assurance is a work in progress and the group has, as yet, not achieved optimal coordination of the different forms of assurance. Assurance was provided for different aspects of our reporting from a variety of sources which include:

- The annual financial statements and related financial information was audited by independent auditors Grant Thornton Johannesburg Partnership;
- The South African broad-based black economic empowerment information was verified by Empowerdex;
- The groups governance principles in respect of King IV have been measured using the Governance Assessment Instrument;
- The carbon and water information was compiled with the assistance of Ibis Consulting;
- The sustainability information included in this report has been guided by the Greenhouse Gas Protocol and has been disclosed to the Carbon Disclosure Programme.

Scope and boundaries

HCI is a publicly owned investment holding company listed on the JSE with a diverse investment base. The company has investments as reflected on pages 14 and 15 of this integrated report.

The Group operates principally in South Africa, and generates the majority of its revenue from South Africa. The geographical footprint of the group is provided on pages 16 and 17 of the report.

The content of integrated report addresses material issues for all our subsidiaries, but does not extend to cover all issues relating to subsidiaries and associates. The scope limitation does not impact on the completeness of the report as separate integrated annual reports for the listed entities are published and can be found on www.deneb.co.za ; www.tsogosun.com; www.niveus.co.za; and www.emediaholdings.co.za. The report covers the period from 1 April 2016 to 31 March 2017 except where material transactions have occurred post year-end.

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

- Governance register
- Annual financial statements

The notice of the annual general meeting, proxy form and other administrative information also form part of the report and can be found on pages 83 to 88.

Financial statements

We have provided summarised financial statements in the integrated report, which includes an executive review of our performance, as published on SENS and in the Business Day on 25th May 2017. The full set of consolidated annual financial statements, including the report from the audit and risk committee and directors' report, are available online or can be requested directly from our company secretary at info@hci.co.za.

Board approval

The board, assisted by the audit and risk committee, is ultimately responsible for overseeing the preparation, presentation and integrity of the integrated report. The directors collectively reviewed the content of the integrated report and believe that it addresses the material issues of the company and is a fair representation of the integrated performance of the Group. The board approved the report for release on the 30 August 2017. We welcome any feedback on the integrated report at info@hci.co.za.

Forward-looking statements

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

JA Copelyn
Chief Executive Officer

A reflection on the last 20 years

Just over 20 years ago the SA Clothing and Textile Workers Union, SACTWU, reversed its interest in an option to acquire a small indirect stake in Vodacom into HCI in exchange for HCI shares. In addition it sold each and every share it had accumulated in other listed companies through prior activity of its investment company, and bought further shares in HCI. It trekked the last kilometer and borrowed as much as it could to further increase its holdings in HCI.

In consequence of this focused commitment, SACTWU succeeded in acquiring a stake of about a third of the shares in HCI and centralized its commercial activity through this company.

SACTWU partnered in HCI with a newly formed investment company of the National Union of Mineworkers ("MIC"). Together the two unions thereby secured a majority stake in a company on the JSE for the first time in the history of South Africa and took control of both its board and its executive. While MIC sold its stake in the company after three years, SACTWU has continued to develop its stake until today.

Building a Quality Asset Base:

The next two decades would be a learning curve like no other. HCI became a crucible in which dreams and nightmares intermingled freely to form a potent concoction of new ideas and insights into opportunities to build commercial value. In turn, this allowed HCI to suddenly swoop on opportunities it identified, to start up new ventures, and to take on immense challenges of turning around a deeply distressed business that no one else had sought to save.

Not everything we tried succeeded but the overall outcome has been extraordinary. Our hallmark has been a steady and persistent grind at building value, and tireless patience and steadfastness in the face of adversity, whether caused by state interventions, commodity cycles or our own mistakes.

Over the period HCI has built itself into a diverse investment company controlling businesses across several sectors.

We built many of our businesses from scratch. These include start-ups in radio and TV, coal mines, and several different gaming enterprises.

- In mining, we prospected for coal, built the infrastructure to go into production, and opened mines that today produce millions of tons of coal per year.
- In television, we bid for the first free TV licence and survived two gruelling years in which the company lost a legendary million Rand a day until finally it turned and became profitable.
- In gaming, we are the only company to have survived a long period of dithering by the state – it took some four years from the time the state issued us a licence in a single region to the first bet to be wagered in the LPM industry.

Together, these new ventures now employ several thousand workers and generate over a billion Rand a year of EBITDA.

The group was on occasion put through its paces and forced to make incredibly fast decisions. Of the more memorable of these challenges probably Johnnic stands out most. Johnnic decided to take over Tsogo Sun in collaboration with Nafhold. It announced a transaction which would have utterly isolated HCI and left it as a minority within a complicated structure of pyramid private companies only indirectly connected to Tsogo Sun. On the same day as Johnnic announced its transaction, HCI responded by buying 21% of Johnnic's shares on the open market. Only a few months later, HCI succeeded in a reverse take-over of Johnnic, as it grew its holding to 51% and ultimately to 100% of that company.

Another challenge was that of Seardel which was saved from the gallows, with hardly a moment to spare, when SACTWU risked R200m on 24-hours' notice in a desperate effort to save thousands of jobs of its members that were about to implode. HCI took over the management of that company and has carefully unraveled whatever was viable from the rest and brought it back to being a very profitable company with substantial manufacturing interests as well as distributing a wide range of branded goods.

Likewise, KWV was bought within hours of its largest shareholder abandoning its bid to buy out minorities. The seller subsequently warned in his autobiography that we would battle to make money off that intervention, though, it must be said, he seemed more bullish on the day we were buying the stake. We spent a good five years wrestling to improve that business and were rewarded along the way with many industry accolades on the quality of the wines and brandy it produced as well as the fact that we were able to dispose of the business at double the price of our investment over the period.

Other businesses were acquired in the more usual fashion after due diligences as going concerns. These have been grown substantially and modernised whilst in the group.

We renewed the entire fleet of more than a thousand buses over the twelve years we have owned GABS, transforming Cape Town's aging bus transport into one of the most modern of any big city on the continent.

We have spent hundreds of millions of Rand refurbishing hotels and resurrecting our Southern Suns brand, after giving up the exclusive use of an overseas brand under whose flag the vast majority of the Tsogo Sun hotels had been trading for decades. Today, the group's hotels are icons of the country's hotel stock. Backing ourselves and our own brands has proved the most unbelievably successful road for the group.

Beyond hotels, the group has built up an amazing property division in the last few years by redeveloping industrial parks from manufacturing operations we could not save despite our best efforts; building shopping centres, office blocks and warehousing; and converting inner city buildings into modern residential blocks as part of the urban renewal of the Johannesburg CBD.

Managing an Investment Holding Company:

The value of an investment holding company is ultimately dependent on the underlying value of its subsidiaries and associates. Typically, such holding companies trade at significant discounts to their underlying value. This has advantages and disadvantages. Patently one cannot easily pay for acquisitions by issuing shares in the holding company in such circumstances. Nevertheless, it always presents an opportunity to concentrate shareholder interests in the existing underlying assets by buying shares back at such discounted values. By regularly effecting buy-backs, HCI has certainly realised the benefits of such discounts over time. Through the years we have bought back over 80% of our issued share capital, reducing the number of shares in the company from over 430 million shares at its height to the current 88,8m shares in issue. Unquestionably, such buy-backs are one of the safest ways of enhancing the value of the remaining shares without any new risk being taken on board.

A second strategy that has worked well for us in dealing with holding company discounts is the unbundling of assets to allow shareholders to make their own choices as to whether or not to continue to hold them directly.

Our first significant release of value to shareholders was in 2000 when we unbundled half the value of the company, releasing listed assets which we did not control.

The reasons for an unbundling are invariably linked to releasing value to shareholders – but decisions about which asset to release, when, and how to do it, are often complex. One of the causes of discounts in the share price of an investment holding company is simply that some of its assets are simply unappreciated in a holding structure that has far larger or better known assets.

Five years ago we created a separately listed company, Niveus Investments, by reversing three such assets into it. We used this as an opportunity for HCI to buy back its own shares in exchange for shareholders being given an opportunity to acquire a direct stake in these assets. While HCI's share price was not adversely affected when it began to trade ex-Niveus assets, Niveus grew some five times in value over the next five years to a market capitalisation of around R4 billion.

More recently, we unbundled Montauk, which has likewise grown on its own to a similar market capitalisation in three years. In truth, as with Niveus, the HCI share price barely retreated at all when it commenced trading ex-Montauk.

In both these cases we felt it important that HCI management be explicit about what choices they would personally be making so that all investors would have the benefit of this knowledge in advance of making their own decisions. It is not to say that HCI management is any better at predicting future performance than anyone else. Actually, the primary factor that played the decisive role in enhancing the value of Montauk, namely, the subsequent collapse of the oil price, was completely unknowable at the time. It is nevertheless fundamental for management choices to be made known beforehand in order for HCI shareholders to feel confident that the company is run in a transparent manner.

As a last comment on discounts, we do think it a sensible test in running a holding company to measure the overhead of the holding company as a percentage of assets under management. Ultimately, the costs of the holding company are another reason justifying a holding company discount. Interestingly, our very first report in 1997 held that part of our commitment to ensuring the focus of HCI would be on creating shareholder wealth would lie in keeping net overheads of the company to 0,5% of its market capitalisation. We have done this consistently over the last two decades.

Having a Social Purpose:

Apart from the purely commercial side of the business, HCI has tried to develop itself as an exemplary corporate citizen.

We were fortunate enough to acquire a subsidiary which was owned in part by a social foundation controlled by the business. We recapitalised the foundation and this enabled us to greatly extend its work. Likewise, it has enabled HCI to develop its socially responsible commitments through its own separately capitalised foundation, the HCI Foundation.

Over time, the HCI Foundation has expanded its bursary program from six students a year to almost a thousand a year. We have also extended the scope of our bursaries from a simple financial contribution to university fees, to encompass social events for bursary recipients and one-on-one mentoring for many of them. In turn, this has been the basis of expressing the commitment of many managers in the group who have volunteered for this program as well as helped provide much needed support. The combined effect of these improvements has resulted in us routinely having about 230 graduates a year, with a success rate way above national averages.

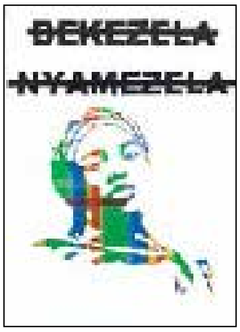
Our social responsibility agenda covers ECD, school and teacher upliftment programs as well as a plethora of cultural, environmental and skills development projects across the country. In general, we spend some R50m and more per annum on these programs through our Foundation, quite apart from an enormous outreach commitment through our subsidiaries.

Together, these activities make HCI a vibrant contributor to community development programs as well as being a strategic partner to many like-minded NGOs with which we collaborate and which we fund.

SACTWU, likewise, has been able to fund significant job creation and health programs as well as provide bursaries to all children of its members who seek to enter tertiary educational institutions. Its ability in this regard is funded almost entirely by the proceeds of its investment company.

All in all, HCI has been a success story for the vast majority of its stakeholders for most of the time throughout the last two decades and it is our hope and commitment to do our best to develop our company further year-on-year over the next many years.

John Copelyn
Chief Executive Officer
Cape Town
30 August 2017



Screen printing by Zinhle Gule 2017 entitled "No Bekezela. No Nyamezela" ("No patience. No endurance")

20 YEAR TIMELINE

1997

- Union investment holding companies acquired control by reversing its interests in Vodacom, Africa-on-Air and other entities into HCI

1998

- Awarded the free-to-air TV licence
- Acquired stake in Vukani

1999

- Purchase of minority stakes in:
  - Mettle Limited (previously BFS Capital)
  - Softline
  - Datatec
  - Unibank

2000

- Disposal of Unibank stake for Unifer shares
- Unbundling of:
  47% stake in Unifer
  25% stake in Softline
- Disposal of Datatec interest
- Aquisition of minority stake in BSG

2001

- Acquired controlling interest in e.tv
- Increase stake in Mettle to 47%

2002

- Acquired controlling stakes in start-up media and technology companies
- Acquired minority stake in yFM
- Buy-back of 3% of HCI's shares

2008

- Acquired controlling interest in Seardel Group
- Granted mining licences for Palesa and Mbali collieries
- Aquired interest in Galaxy Bingo
- Buy-back of 1% of HCI's shares

2009

- Buy-out of Johnnic Holdings minorities and subsequent delisting of Johnnic

2010

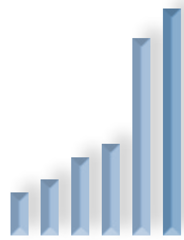
- Increased effective stake in Tsogo Sun to 51%
- Disposal of Clover stake
- Disposal of Johnnic's minority interest in SunCoast casino to Tsogo Sun

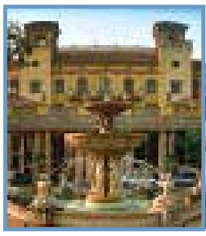
2011

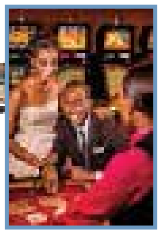
- Acquired 34.9% of KWV
- Reverse take-over of Gold Reef Casinos by merging it with Tsogo Sun
- Broadening of the social investment report to a sustainability report including environmental issues

2012

- Acquired 67% of Oceania Capital in Australia
- Increased KWV stake to take control
- Headline profits reach R1bn







2003

- Disposal of 5% stake in Vodacom
- Buy-back of 72% of HCI's shares

2004

- Acquired an effective 15.6% of Tsogo Sun Holding
- Awarded 2 regional licences to operate LPM's (Vukani)
- Disposal of Africa-on-Air

2005

- Acquired Golden Arrow Bus Services and the Golden Arrow Foundation

2006

- Acquired controlling stake in Johnnic Holdings Limited giving HCI joint control of Tsogo Sun with SABMiller
- Effective interest in Tsogo Sun increased to 35%
- Acquired minority stake in Clover
- Acquired 77% interest in YFm
- Acquired 50.1% interest in Syntell
- Buy-back of 2% of HCI's shares

2007

- Acquisition of Montauk Energy Capital LLC in the USA
- Placed 3rd in most empowered company on the JSE (1st place in ownership)

2013

- Listing of Niveus Investments
- Created property division and commenced the development of various properties
- Buy-back of 5% of shares in HCI

2014

- Reversal of media interests into Seardel including sale of 30% of HCI's stake therein to SACTWU
- Disposal of Seardel clothing manufacturing division to SACTWU
- Buy-back of 14% of HCI's shares

2015

- Transfer of former "Seardel assets" and listing of Deneb Investments
- Change of name from Seardel to eMedia Holdings
- Took sole control of Tsogo Sun on SABMiller exit, increasing stake to 47%
- Unbundling of Montauk
- Start-up of OVHD
- Granted mining rights for Nokuhle colliery
- Buy-back of 3% of HCI's shares

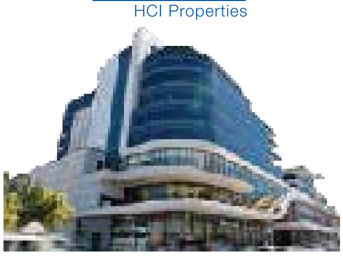
2016

- Funding of Ithuba national lottery

2017

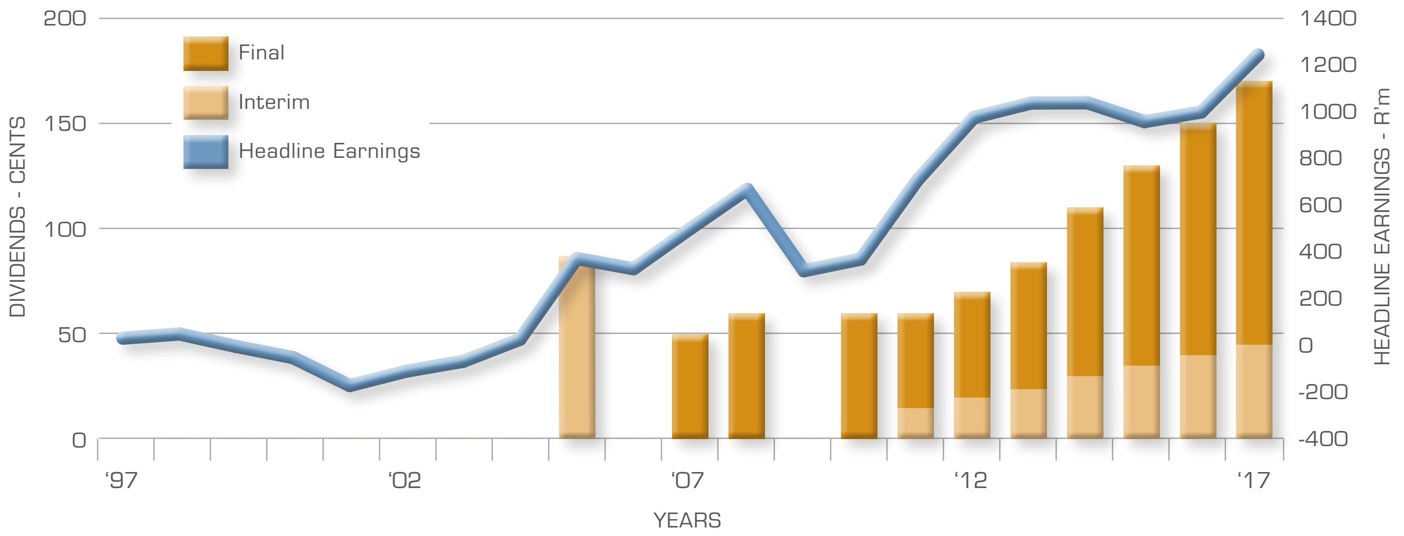
- Disposal of KWV operating assets
- Disposal of Syntell
- Disposal of Oceania Capital
- Buy-back of 16% of shares in HCI

HCI Properties

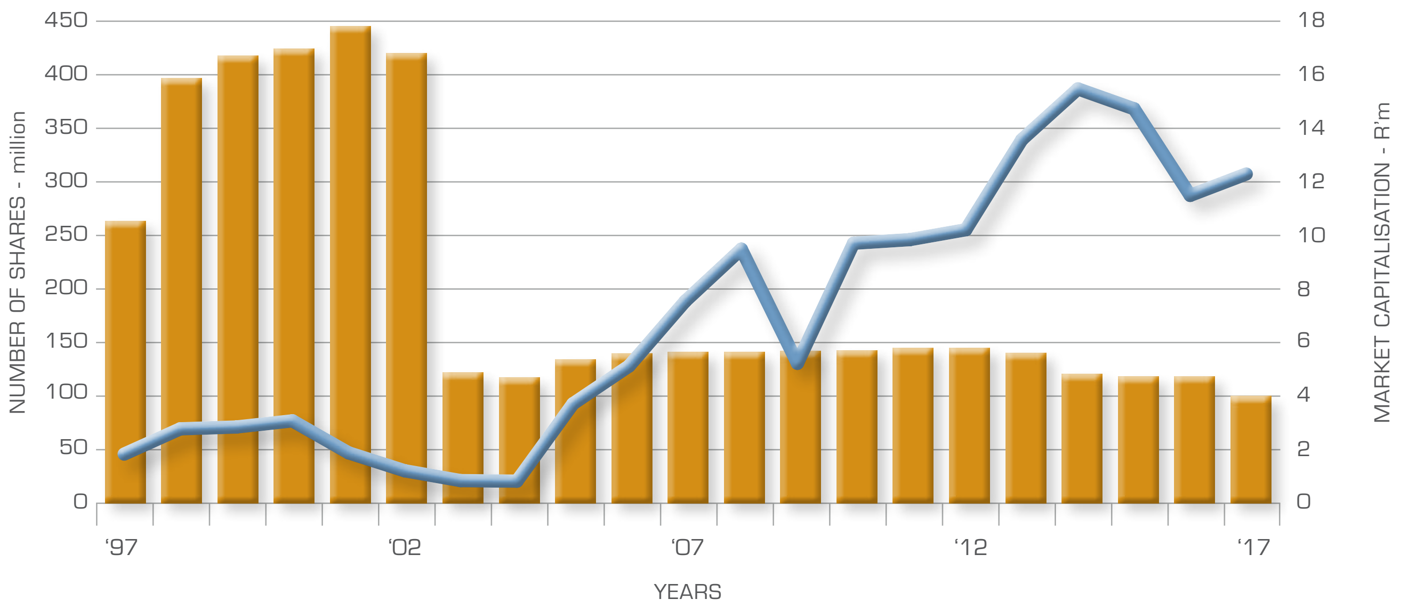


20 YEAR REVIEW

DIVIDEND vs HEADLINE EARNINGS



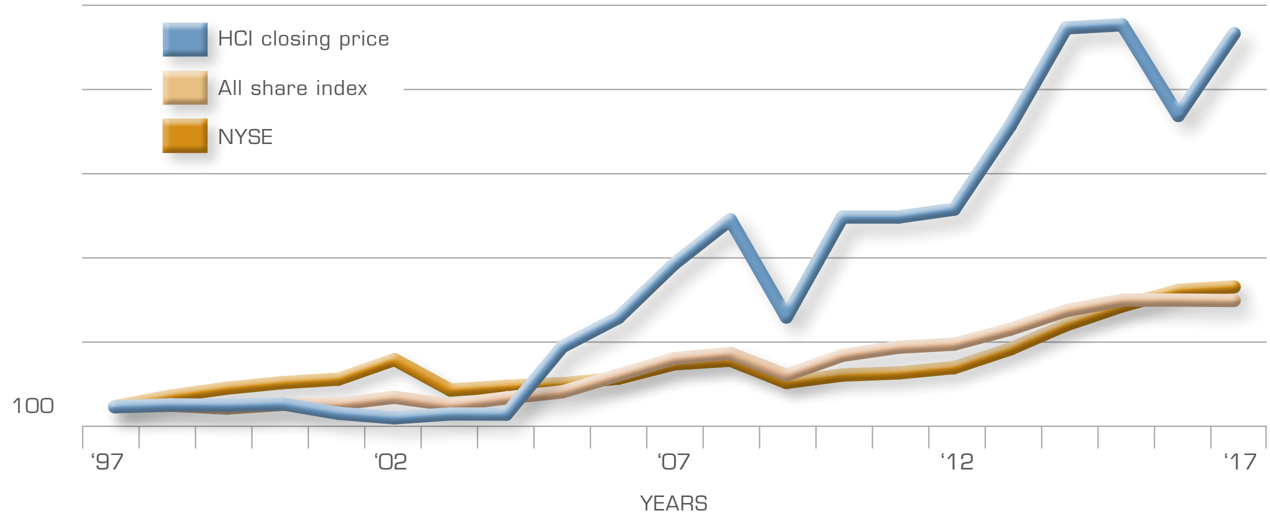
NUMBER OF SHARES IN ISSUE ('m) vs MARKET CAPITALISATION (R'm)



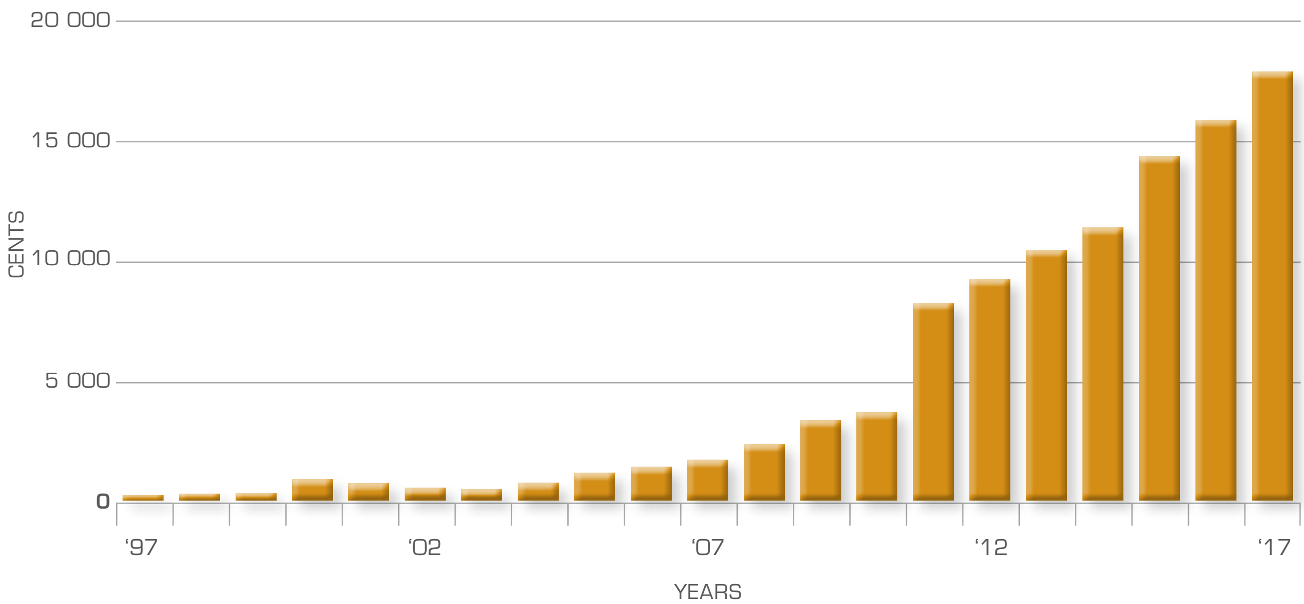
		1997	1998	1999	2000	2001	2002	2003	2004	2005
Dividend per share	cents	-	-	-	-	-	-	-	-	95
Share price - high	cents	820	725	920	950	780	400	356	360	2 910
- low	cents	200	300	350	195	340	200	150	330	900
- at year end	cents	620	700	685	740	380	210	356	350	2 900
No. of shares in issue - (net of treasury)	'000	230 729	346 961	365 320	371 039	389 588	367 530	107 082	103 022	117 997
Average no of shares in issue	'000	73 563	303 441	355 892	371 039	381 724	375 294	306 031	100 581	105 703
Market capitalisation (calculated on net shares)	R'000	1 430 521	2 428 727	2 502 442	2 745 689	1 480 434	771 813	381 212	360 577	3 421 913
Net asset carrying value per share*	cents	239	310	322	916	735	558	487	756	1 178
Revenue (including net gaming win)*	Rm	-	-	-	3	258	390	509	863	1 348
Profit after Tax*	Rm	29	30	38	348	-351	-601	-875	164	724
Headline earnings*	Rm	8	27	-30	-81	-209	-143	-98	3	373
Earnings per share*	cents	39	10	11	94	-53	-116	-287	158	573
Headline earnings per share*	cents	11	9	-8	-22	-55	-38	-32	30	333

* *restated*

HCI SHARE PRICE vs JSE ALL SHARE INDEX and NYSE (RAND)



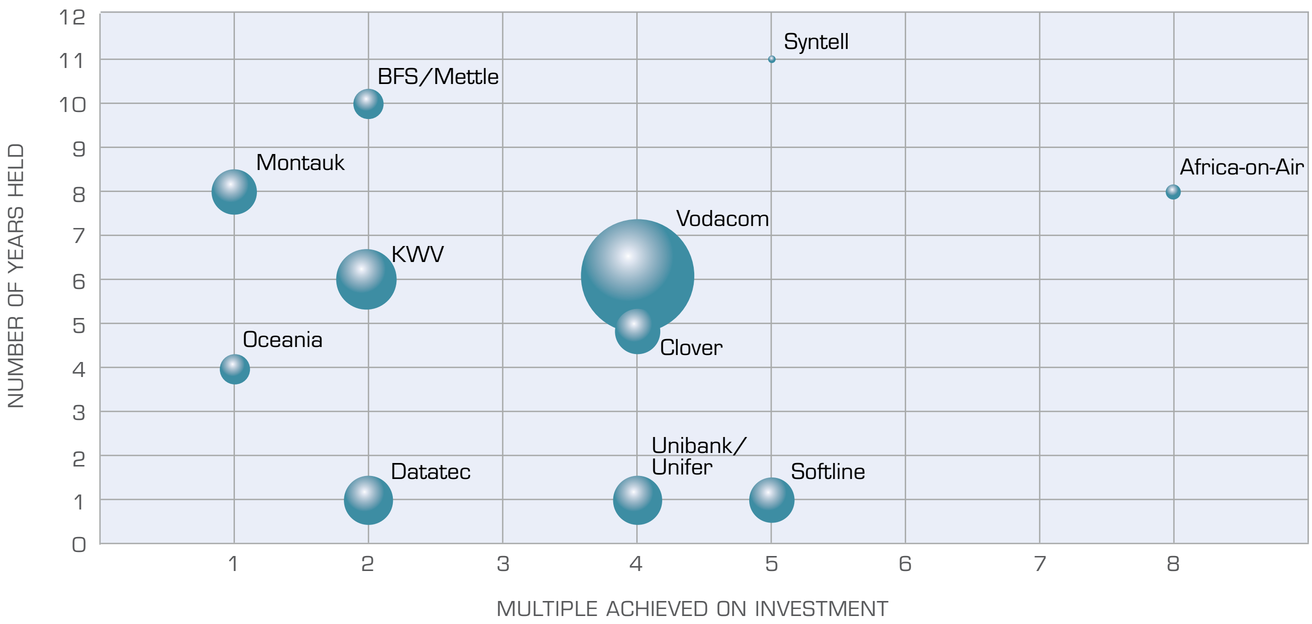
NET ASSET VALUE PER SHARE



2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
-	50	60	-	60	75	90	108	140	165	190	215
4 400	6 200	9 000	7 850	8 195	8 699	8 744	11 790	15 543	18 068	16 460	15 000
2 400	3 700	6 040	3 303	3 550	7 205	7 400	7 912	11 001	12 999	9 500	10 450
4 000	6 035	7 700	4 021	7 800	7 799	8 100	11 253	14 950	14 500	11 202	14 185
122 882	123 896	123 851	124 909	125 254	127 089	127 198	123 224	106 177	104 041	104 110	88 034
119 853	123 691	124 179	124 692	125 085	126 135	127 149	126 146	114 788	105 724	104 167	94 282
4 915 280	7 477 124	9 536 527	5 022 591	9 769 812	9 911 671	10 303 038	13 866 397	15 873 462	15 085 945	11 662 402	12 487 623
1 425	1 710	2 374	3 371	3 699	8 262	9 259	10 469	11 391	14 370	15 887	17 897
2 112	4 185	8 820	10 902	5 722	6 723	7 612	7 367	9 084	17 257	21 542	23 635
286	949	1 839	1 883	1 333	7 015	1 438	1 815	1 266	4 456	2 122	3 274
326	510	690	317	370	732	1 020	1 085	1 086	1 000	1 044	1 306
193	465	702	891	484	5 096	958	1 095	924	3 362	1 002	1 313
175	413	555	254	295	573	802	860	946	946	1 003	1 385

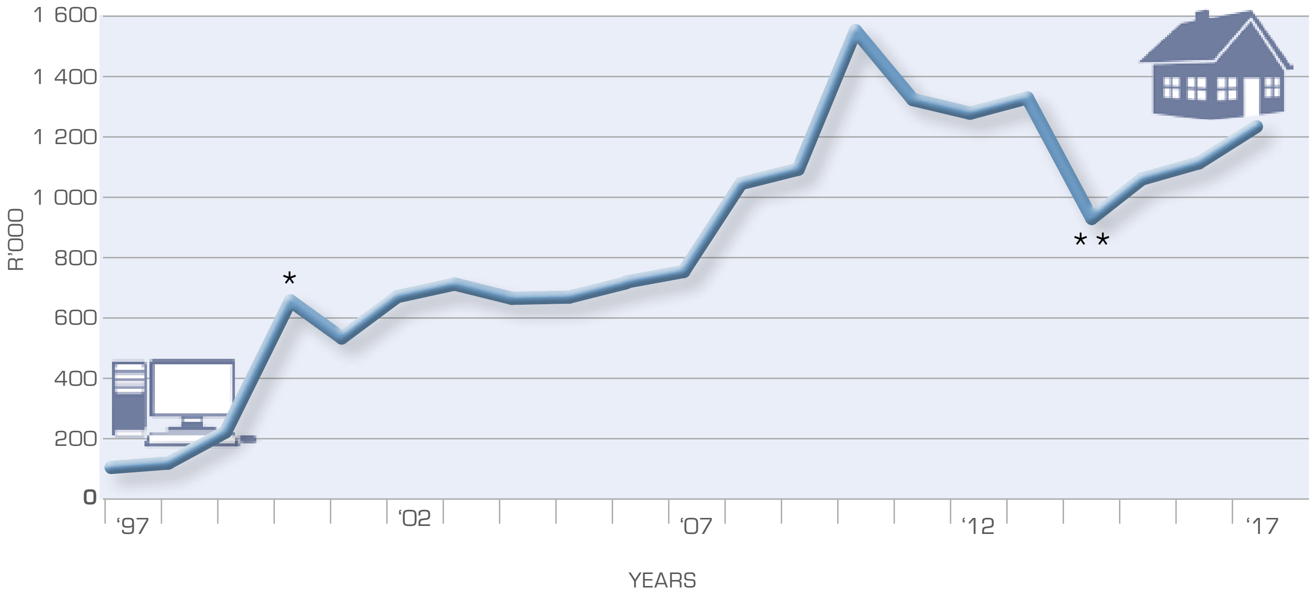
20 YEAR REVIEW (continued)

INVESTMENT DISPOSAL HISTORY



* Based on exit values
* * No dividends taken into account
* * * Montauk, Softline and Unifer were unbundled, not sold

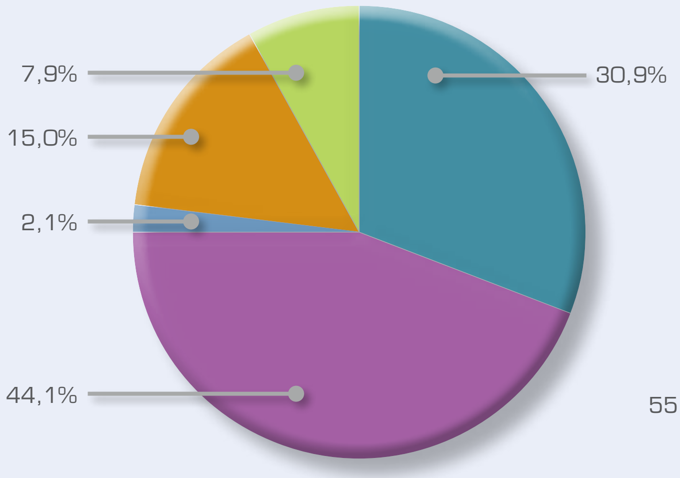
VALUE OF R10 000 INVESTED IN 1997



* 2000: unbundling of Softline and Unifer
* * 2014: unbundling of Montauk Holdings
* * * All distributions (unbundled shares and dividends) were presumed to have been reinvested as HCI shares

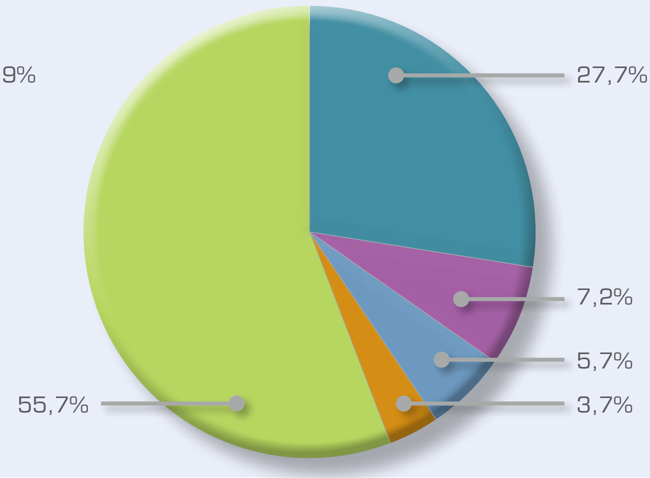
DISTRIBUTION OF VALUE - 2017

DISTRIBUTION OF WEALTH: 2017 - R11,1bn



- Government taxes
- Net Employee costs
- Corporate social investment
- Finance charges
- Dividends

GOVERNMENT TAXES - R3.4bn



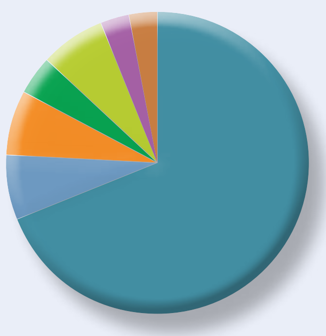
- Company Tax
- Municipal rates and taxes
- Fuel levy and vehicle licences (GABS and HCI Coal)
- Other taxes
- Gaming levies and VAT on net gaming win

SEGMENTAL CONTRIBUTION – 2017

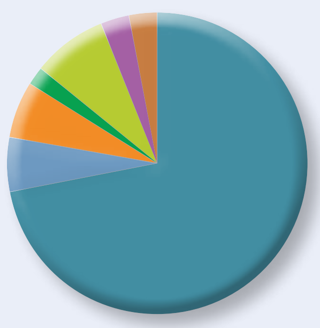
EBITDA CONTRIBUTION

	2017 %	2016 %
Casino gaming and hotels	69	72
Transport	7	6
Non-casino gaming	7	6
Mining	7	8
Media and broadcasting	7	8
Properties	3	3
Branded products and manufacturing	3	3

2017



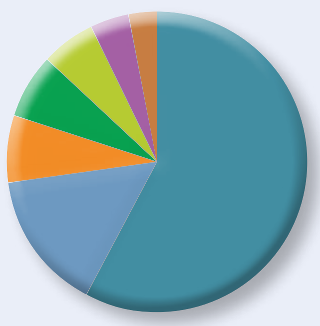
2016



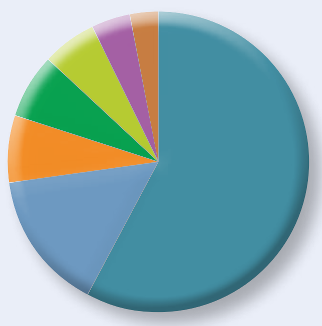
SEGMENT CONTRIBUTION TO HEADLINE EARNINGS

	2017 %	2016 %
Casino gaming and hotels	57	63
Transport	15	14
Non-casino gaming	7	6
Mining	7	2
Media and broadcasting	6	6
Properties	4	4
Branded products and manufacturing	3	2

2017



2016



OPERATING STRUCTURE

AS AT 30 AUGUST 2017

HCI 2017
GROUP OF COMPANIES

LISTED COMPANIES

TSOGO SUN

TSOGO SUN HOLDINGS LIMITED
43%

incorporating

TSOGO SUN GAMING

TSOGO SUN HOTELS

eMedia Holdings

eMEDIA HOLDINGS LIMITED
62%

incorporating

eMEDIA INVESTMENTS

e.SAT

OpenviewHD

NIVEUS

NIVEUS INVESTMENTS LIMITED
52%

incorporating

VUKANI

GALAXY BINGO

DENEB INVESTMENTS LIMITED

DENEB INVESTMENTS LIMITED
84%

incorporating

PRIMA GROUP

VEGA PROPERTIES

BRAND ID

TEXTILE, INDUSTRIAL AND MANUFACTURING DIVISIONS

UNLISTED COMPANIES

HCI PROPERTIES (DIVISION)
100%

GALLAGHER ESTATES

BLUEHILLS SHOPPING CENTRE

KALAHARI VILLAGE MALL

LYNNRIDGE MALL

OLYMPUS VILLAGE MALL

THE POINT

RAND DAILY MAIL HOUSE

ALEXANDER FORBES BUILDING

PROTEA PLACE

SYDNEY ROAD

THE PALMS

GOLDEN ARROW BUS SERVICES
100%

IMPACT OIL AND GAS
33%

BUSINESS SYSTEMS GROUP (AFRICA)
40%

KAROSHOEK SOLAR ONE
10%

HCI COAL
100%

incorporating

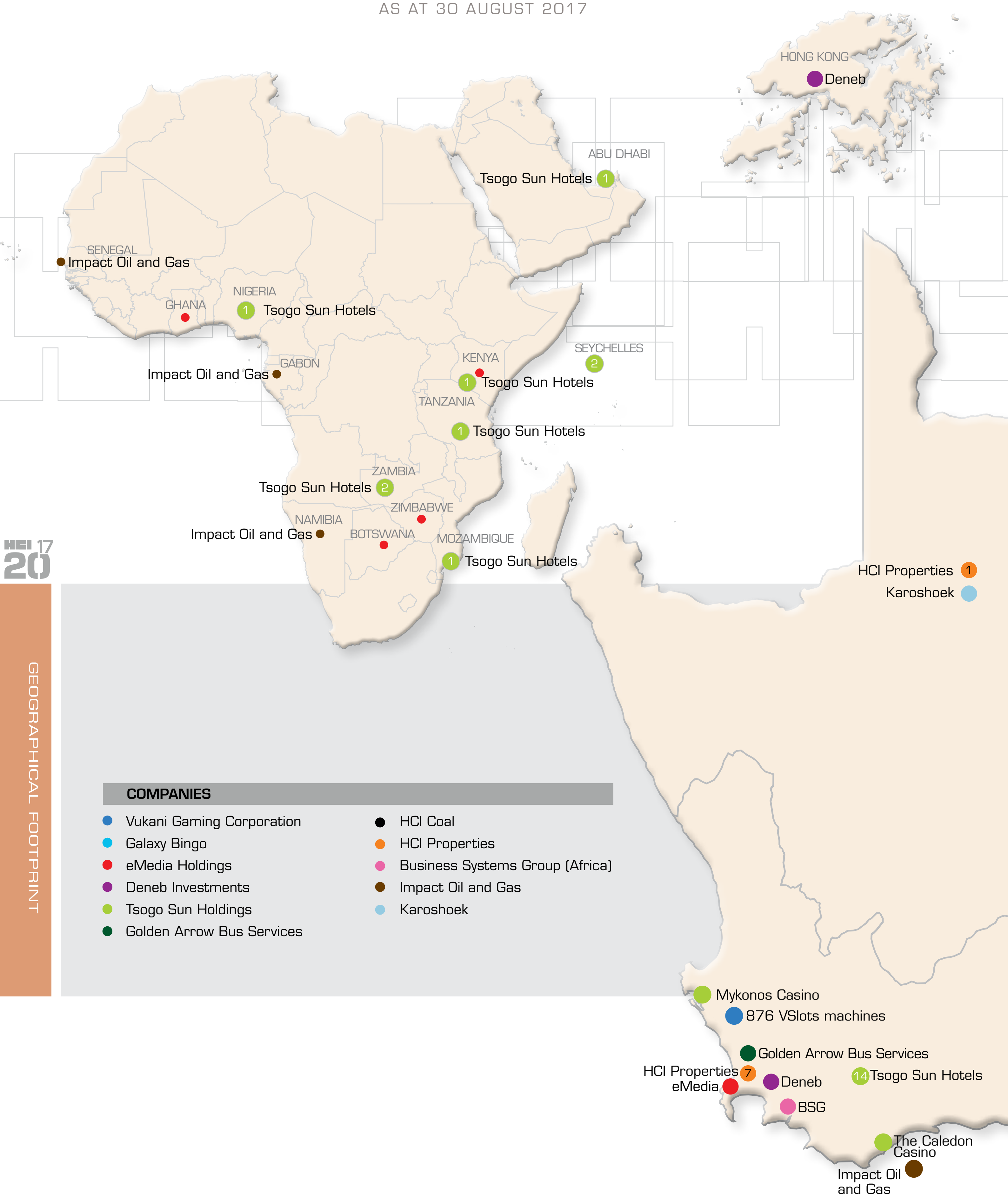
PALESA COAL

MBALI COAL

NOKUHLE COAL

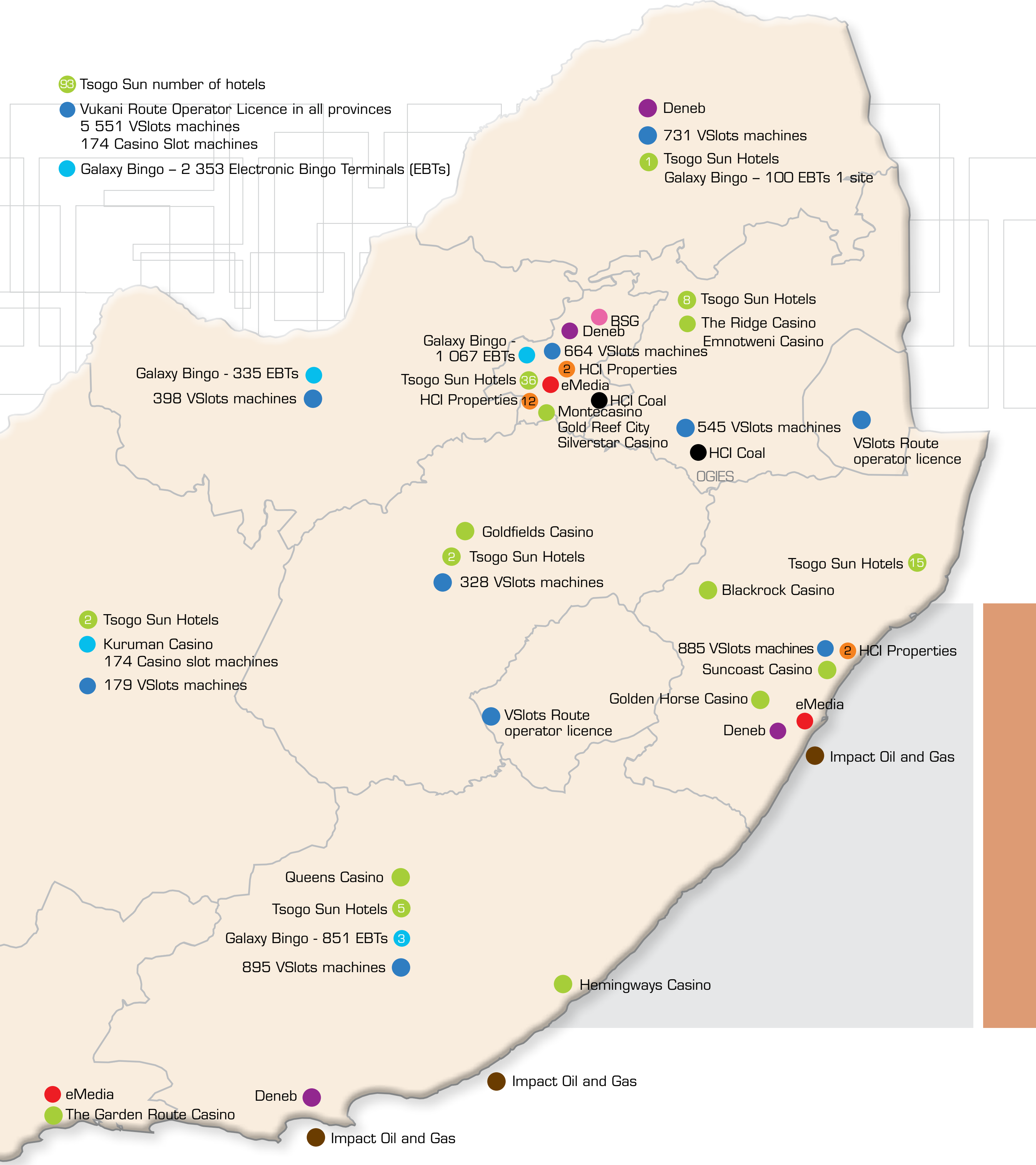
GEOGRAPHICAL FOOTPRINT

AS AT 30 AUGUST 2017



COMPANIES

- Vukani Gaming Corporation
- Galaxy Bingo
- eMedia Holdings
- Deneb Investments
- Tsogo Sun Holdings
- Golden Arrow Bus Services
- HCI Coal
- HCI Properties
- Business Systems Group (Africa)
- Impact Oil and Gas
- Karoshoek



93 Tsogo Sun number of hotels
Vukani Route Operator Licence in all provinces
5 551 VSlots machines
174 Casino Slot machines
Galaxy Bingo – 2 353 Electronic Bingo Terminals (EBTs)
Deneb
731 VSlots machines
1 Tsogo Sun Hotels
Galaxy Bingo – 100 EBTs 1 site
8 Tsogo Sun Hotels
The Ridge Casino
Emnotweni Casino
BSG
Deneb
Galaxy Bingo - 1 067 EBTs
664 VSlots machines
2 HCI Properties
Tsogo Sun Hotels 36
eMedia
HCI Properties 12
HCI Coal
Montecasino
Gold Reef City
Silverstar Casino
545 VSlots machines
HCI Coal
OGIES
VSlots Route operator licence
Galaxy Bingo - 335 EBTs
398 VSlots machines
Goldfields Casino
2 Tsogo Sun Hotels
328 VSlots machines
Tsogo Sun Hotels 15
Blackrock Casino
2 Tsogo Sun Hotels
Kuruman Casino
174 Casino slot machines
179 VSlots machines
885 VSlots machines
2 HCI Properties
Suncoast Casino
Golden Horse Casino
eMedia
VSlots Route operator licence
Deneb
Impact Oil and Gas
Queens Casino
Tsogo Sun Hotels 5
Galaxy Bingo - 851 EBTs 3
895 VSlots machines
Hemingways Casino
Impact Oil and Gas
eMedia
The Garden Route Casino
Deneb
Impact Oil and Gas

TSOGO SUN

Palazzo Hotel


Montecasino

TSOGO SUN HOLDINGS LIMITED ("TSOGO SUN")
www.tsogosun.com

Tsogo Sun Group Highlights for the year

•	Income	R 13.2 billion	8%
•	EBITDAR	R 5.0 billion	11%
•	Adjusted HEPS cents	207.6 cents	6%
•	Dividend per share for the year	104 cents	6%

Tsogo Sun is separately listed on the JSE, and more information can be found on the Group at www.tsogosun.com

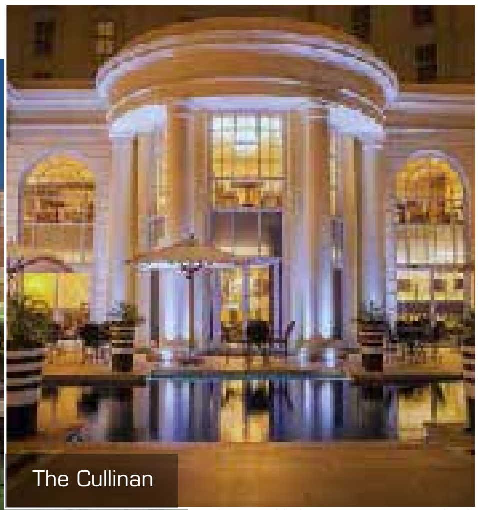
The group achieved income of over R13 billion and EBITDAR of over R5 billion for the year ended 31 March 2017 for the first time and grew adjusted headline earnings per share by 6% in the period despite continued pressure on the consumer due to the weak macro-economic environment and consumer sentiment. Year-on-year growth was achieved in both the casino and hotel segments with the hotel trading results in particular being further positively impacted by various expansionary projects, including the acquisition of two hotel businesses from Liberty Group Limited ("Liberty") and through the acquisition of Hospitality Property Fund Limited ("HPF"), offset to some extent by a weak trading performance in Africa, particularly in Nigeria.

In terms of its growth strategy Tsogo Sun has continued to invest significant resources during the year, including:

- the acquisition from Sun International Limited and Grand Parade Investments Limited of a 20% equity interest in each of SunWest International Proprietary Limited and Worcester Casino Proprietary Limited for an aggregate R1.3 billion effective 1 April 2016. This has given the group an enhanced exposure to the Cape Town casino market through a passive investment with an attractive dividend yield. Tsogo Sun continue to push for the opportunity to relocate one of the smaller Cape based casinos into an untapped area in the metropole, despite significant delays by the province on this matter;

- the acquisition of two previously managed hotels from Liberty by The Cullinan Hotel Proprietary Limited ("Cullinan"), being the Garden Court Umhlanga and the StayEasy Pietermaritzburg for R310 million effective 1 October 2016, bringing the number of hotels and rooms in Cullinan to 10 and 2 263 respectively. This was followed by the acquisition of the 40% shareholding Liberty had in Cullinan, including all shareholders' loans owing to Liberty for R1.0 billion effective 1 December 2016;
- the acquisition of a 50.6% controlling stake in HPF through conversion of the 78 million HPF B-linked units to a single class of share and the injection of 10 owned hotels on an asset for share basis;
- the acquisition of the 29.6% minority stake in the Mykonos casino through a share buy-back effective 12 December 2016 for R190 million and additional undeveloped land for future expansion for R30 million;
- construction commenced and was then interrupted on the expansion of the Suncoast Casino and Entertainment World. The scheme has been redesigned and the cost of the expansion has been decreased to R1.6 billion including past spend with construction anticipated to re-commence in mid-June 2017 with eighteen months to completion. R1.3 billion is still to be spent on the project; and

Sun Coast Hotel



The Cullinan

- the group invested R925 million on maintenance capex group-wide, including gaming system replacements and casino floor and major hotel refurbishments, ensuring our assets remain best in class.

Total income for the year of R13.2 billion ended 8% above the prior year with a 2% growth in gaming win, assisted by an 11% growth in rooms revenue, a 6% growth in food and beverage revenue and strong growth in property rental income and dividends received.

Earnings before interest, income tax, depreciation, amortisation, property rentals, long-term incentives and exceptional items ("EBITDAR") at R5.0 billion for the year was 11% up on the prior year despite the R38 million forex loss in the offshore division. The overall EBITDAR margin of 38.2% is 1.2 percentage points ("pp") up on the prior year.

The underlying operations of Tsogo Sun remain highly geared towards the South African consumer (in gaming) and the corporate market (in hotels). The high level of operational gearing still presents significant growth potential to the group should these sectors of the South African economy improve.

Gaming win for the year grew by a disappointing 2% on the prior year with slots win flat and 8% growth in tables win. The high-end privé market continued to perform well, albeit with volatility in win percentages from month to month and the main floor business remaining under pressure.

The hotel industry in South Africa continues to experience a recovery from the dual impact of depressed demand and oversupply. Overall industry occupancies have improved to 65.2% (2016: 63.8%) for the year. Trading for Tsogo Sun's South African hotels for the year recorded a system-wide revenue per available room ("RevPar") growth of 6% on the prior year due mainly to an increase in average room rates by 5% to R1 067, with occupancies above the prior period at 64.3% (2016: 63.5%).

Overall revenue for the South African hotels division increased 28% on the prior year to R3.5 billion assisted by the inclusion of the Holiday Inn Sandton and Crowne Plaza Rosebank hotel businesses from March 2016, the Garden Court Umhlanga and the StayEasy Pietermaritzburg from October 2016, the consolidation of HPF from September 2016 and the closure of the Riverside Sun and Sabi River Sun hotels for refurbishment during the prior year. EBITDAR

Southern Sun Maputo

OPERATIONAL OVERVIEW


Sandton Sun


Stay Easy

SILVERSTAR | THE CALEDON | GOLDEN HORSE | GARDEN ROUTE | GOLDFIELDS | HEMINGWAYS

increased by 48% on the prior year to R1.4 billion at a margin of 38.7% (2016: 33.5%).

The Offshore division of hotels achieved total revenue of R635 million which was 8% down on the prior year, impacted by tough local economic environments due mainly to the reduction in commodity prices impacting the local economies negatively. This was further adversely impacted by the strengthening of the Rand against both the US Dollar and the Euro. EBITDAR (pre-foreign exchange losses) decreased by 24% to R146 million. Foreign exchange losses of R38 million (2016: R23 million) were incurred on the translation of offshore monetary items, principally between local country currencies and the US$.

Prospects

Given the weak state of the South African economy and many of the commodity focused countries in which Tsogo Sun operates, trading is expected to remain under pressure. Growth will depend on how these economies perform going forward, including the impact of changes in commodity prices, and the level of policy certainty that the government is able to achieve in areas ranging from visa regulations to gaming taxes and administered costs. Nevertheless, Tsogo Sun remains highly cash generative and is confident in achieving attractive returns from the growth strategy once the macro-economic environment improves.

Tsogo Sun continues to implement a variety of projects and acquisitions including:

- the acquisition of HCI's and all other shareholders' interests in Niveus Invest 19 Limited ("Gameco") for a combination of Tsogo Sun shares and cash. The transaction remains subject to a number of conditions precedent;
- the potential to bid for the relocation of one of the smaller casinos in the Western Cape to the Cape Metropole remains an opportunity for Tsogo Sun should the provincial authorities allow such a process;
- development has commenced on a 125 room StayEasy in Maputo, Mozambique, which is expected to cost US$16 million and be completed by late 2018; and
- the acquisition of additional hotel properties by International Hotel Properties Limited, which currently owns nine hotels in the United Kingdom, is anticipated in the future and Tsogo Sun may apply additional capital in this regard.


Gold Reef City


Silverstar Casino

MONTECASINO · Gold Reef City · BLACKROCK · MYKONOS · THE RIDGE · EMNOTWENI CASINO · QUEENS CASINO

Blackrock Casino


The Cullinan


Montecasino


Beverley Hills

eMEDIA HOLDINGS
www.emediaholdings.co.za

eMedia ended the year with profit from continuing operations of R128m compared to R57.2m the previous year. The Group has completed its process of disinvesting from non-core and under-performing assets, ending on an EBITDA of R488.3 million [2016: R521.0 million]. Headline earnings for the Group ended on R98.0 million [2016: R32.2 million].

e.tv

The financial year has seen an improvement for the media group with revenue looking better for its core asset, e.tv. This contributed to raised revenue throughout the media group, ending the year on R2.6 billion [2016: R2.43 billion], a 7% increase. e.tv saw advertising revenue improve as a result of an increased market share compared to the previous financial year and the revised schedule continued to yield results. FY2017 saw e.tv remain the most watched English channel in South Africa. The recovery however, continues to come at considerable cost both in local programming and differentiated international studio product, which resulted in cost of sales ending the year on R1.2billion [2016:R1.09billion], an increase of 10%. Advertising revenue should once again increase in the forthcoming year as a result of this investment in programming and the stabilisation of the e.tv market share.

Multi-channel, OpenviewHD ("OVHD") and DTT

Added to the pressure on the profitability of eMedia, has been the continued investment into the multi-channel business. DTT remains slow in its roll out and multi-channel remains key to broadening the media group offering while creating a wider range of advertising opportunities. eMedia therefore continues to invest in its multichannel platform, OVHD and producing channels for the multi-channel environment. Further investment of R307.1 million [2016: R261.9 million] is included in the financials for this year with very little revenue recorded. On a more positive note, OVHD has seen the number of activations increase from 388 812 to 778 160 at the end FY2017, an increase of 100.14%. Management believes that the investment in quality channels and a multi-channel platform will stand eMedia in good stead as digital migration rolls out.

The litigation matter between e.tv and The Minister of Communications and Others regarding the Broadcasting Digital Migration policy and whether government-funded set top boxes should be encrypted or not was heard in the Constitutional Court. The court found that the Minister was empowered to determine policy and e.tv awaits a policy directive from the new Minister of Communications.

e.sat

e.sat continues to perform well and the eNCA channel remains the most watched news channel on DStv, averaging a news viewership of over 50%. The long term contract with DStv was renewed in May 2017 and that agreement saw eMedia place four of its channels on DStv, with a fifth to follow.

The financial year has seen strong performances from subsidiaries, Sasani Studio and Silverline 360.

The financial year also saw management continue to examine the strategic direction of media group which necessitated the sale of non-core assets and consideration of growth into digital areas. eMedia online businesses continue to grow and content deals with third parties and the future of 'on demand' programming is under consideration. eMedia has exited, or is in the process of exiting, from the majority of its offshore investments and will for the near future concentrate on its core South African assets with ever increasing competition from non-linear broadcasting platforms.

Management however believes that with the stabilisation of the e.tv market share, the continued investment in the multi-channel business and the continued need for content, eMedia is poised to achieve improved results going forward.

eMedia also celebrated being part of the HCI stable as it celebrated its 20th year. During that time, eMedia has morphed from a single channel television business e.tv in the late 90's, into a multi-channel business incorporating news, movies, kids programming and general entertainment. It has also expanded its scope, acquiring or building assets in the radio sector, studios, facilities, licensing film production services and property. HCI has stood behind the business, providing funding when times were tough, to strategic and business advice first through hard times, and then through the good times. They have been a supportive owner, backing new ventures, taking the group through risky propositions and calming management down when its enthusiasm ran a little too rampant. Management have found inspiration and taken guidance from the Foundation in helping it assess and realise valuable CSI initiatives. For that, eMedia congratulate and thank them.

eMedia Holdings is separately listed on the JSE Securities Exchange, and more information can be found on the Group at www.emediaholdings.co.za

DENEB
INVESTMENTS LIMITED


Deneb House
Before

DENEB INVESTMENTS LIMITED ["DENEB"]
www.deneb.co.za

Results to March 2017

Deneb reported good growth for the year with EPS up 46%, HEPS up 22% and NAV per share up 20%. The growth reflects that within Deneb there are a number of businesses that continue to deliver good solid results even in difficult economic conditions.

In overall terms, turnover grew by 7% to just over R2,9 billion. Gross profit increased by 18% on the back of improved margins whilst overheads grew by 9%. As a consequence, operating profit before finance costs grew by 26% to R197 million. Net finance costs increased by 27% to R80 million due to the R268 million share Buy-back completed in September 2016 and the acquisition of Premier Rainwatergoods in June 2016.

Deneb's underlying subsidiaries can be categorised into four main groups.

In the first instance, Deneb has good solid businesses that continue to grow strongly. Over the past five years on a compounding basis, these businesses have grown turnover by 16% and core operating profit by 22% per annum. They are now responsible for over R1,9 billion of turnover and deliver net operating margins in excess of 10% after accounting for all centralised head office costs.

In the second set, the businesses are mostly start-ups that are being developed with an eye to the future. These businesses have largely delivered on expectations. Although they may not all make it to become mature businesses, we are optimistic that some will join the first group and become good contributors in time.

The third group of businesses have poor fundamental economics but have strong management teams and muddle through eking out small profits. These businesses are not likely to shoot the lights out anytime soon, but they do not cost Deneb very much to maintain them. Management is working on opportunities to shift them into areas that would enable them to deliver better returns and hopefully move them into the first group.

The final group has, disappointingly, not been able to find the required traction. This failure is due to a combination of the general poor economics in the industries they serve and our own inability to strategically reposition them onto a more sustainable path. The challenging economic environment exacerbates both of these factors. Management had hoped that these businesses could be fixed over time by following a growth strategy. However, given the general state of the economy, management may need to be a bit more pragmatic in its outlook towards them.

Although the results overall represent another good step forward for Deneb, management is cognisant of the fact that, in absolute terms, they do not represent a suitable return on the asset base. The plans to remedy the fourth group of businesses above will make a marked difference to the operating margins and return on equity calculations.

Segmental results

Property segment

The value of the Group's property portfolio increased by R46 million (4%) to R1,22 billion. This growth incorporates R9 million spent on development costs, R51 million of upwards revaluation, offset by disposals totaling R14 million.

Revenue increased by 10% to R150 million with revenue from external tenants representing 71% of the total. Operating profit before finance costs increased by 4% to R135 million. If the property revaluations are excluded, operating profit for the current year was up 6% to R104 million.

Industrial Manufacturing segment

The Industrial Manufacturing segment continued with its strong


Gold Reef
Gold Reef


Brand ID

growth. The acquisition of Premier Rainwatergoods in June 2016 has proven to be successful and the management team has assimilated themselves seamlessly into the Deneb Group. The results of this business as well as strong growth in the existing operations saw revenue up 32% to R643 million and operating profit up 53% to R56 million. This growth comes on the back of 49% growth in the previous reporting period.

Branded Product segment

Revenue for this segment was down R21 million (1%) to R1,38 billion, however, operating profit before finance costs increased to R15 million from the R2 million recorded in the prior period.

The Prima Group, which comprises Prima Toys, Prima Interactive, the Empire Group and some smaller start-ups, had a very strong year with operating profit up 47% over the prior year. These businesses continue to deliver very good returns, which is testament to the efforts of the competent management teams within them.

On the other hand, the performance of Deneb's office automation business has been very disappointing and our sporting goods business, Brand ID, had a little stutter on its growth path. These businesses sell high-value discretionary durable goods and the segments of the market that they serve have undoubtedly been under pressure. A more realistic outlook may be required.

Textile segment

The general economics of the businesses within this sector remain challenging. Although revenue was up 8%, operating profit decreased R12 million (45%) to R15 million. The main reason for the decline in operating profit was a R19 million forex loss in the current year compared to a small profit in the previous year. It is Deneb's policy to cover forward any currency exposure once the selling prices have been established in order to lock in the cash margin. Ordinarily, if forex losses are recorded up to the time that the goods are delivered, it will result in higher margins when the goods are sold. This will be true in this instance as well, but the long lead times inherent in these businesses mean that a large portion of the countervailing gross profit improvement will only take place in the next financial year.

The textile segment remains under severe pressure from imports and this may be another area where we may need to be a bit more pragmatic in our outlook.

A proud member of the HCI Group of companies

Deneb listed on the JSE on 1 December 2015 after unbundling from Seardel Investment Corporation Limited ("Seardel"). At the time of the listing, HCI held 64% of Deneb's shareholding and, after the share Buy-back, this increased to 84%.

On a fundamental level, it was HCI that underwrote the rights issue that prevented the predecessor to Deneb, Seardel, from going bankrupt in 2008. Since then, HCI has occasionally provided short-term financial support that ensured sufficient working capital facilities during peak season periods without Deneb having to forego long-term opportunities. Being part of the HCI Group also provides increased credibility and confidence to the commercial relationships Deneb maintains with its stakeholders.

One of the main benefits of being part of the HCI Group, is that it provides management with the ability to take long-term strategic views on issues rather being too keenly focused on short-term earnings targets. This is particularly important in turbulent economic times.

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

NIVEUS INVESTMENTS LIMITED ["NIVEUS"]

www.niveus.co.za

In September 2012, HCI repurchased some of its own shares and issued Niveus shares to HCI shareholders as a consideration which resulted in HCI's interest in Niveus diluting from 100% to 55%. Subsequent to the repurchase and distribution, the Niveus shares were listed on the JSE. During FY 2012 and FY2013 Niveus acquired the HCI interests in Galaxy Bingo ("Galaxy") and Vukani Gaming Corporation ("Vukani") as well as KWV Holdings ("KWV").

Niveus obtained a controlling stake of 51.6% in KWV in December 2012. The Group concluded the sale of the operating assets of KWV for R1.18 billion, effective 1 October 2016, the first payment of R575 million has been received. The balance of the purchase price will be received in three tranches supported by an Investec bank payment guarantee. An agreement has been reached to dispose of Niveus's gaming businesses, Vukani and Galaxy, held via its wholly-owned subsidiary, Niveus Invest 19 ("GameCo") to Tsogo Sun. The transaction will be executed by Niveus unbundling its shares in GameCo to its shareholders and HCI disposing of all its GameCo shares to Tsogo Sun. Tsogo Sun will also make a voluntary minority offer to GameCo minority shareholders to acquire the shares of the minorities by way of a consideration consisting of 20% in Tsogo Sun shares and 80% in cash.

Operational overview

Consumer spending remains under pressure and is expected to remain under pressure for the next year. We are fortunate Niveus managed to increase net gaming win by 13.8% compared to the prior period.

The representations Niveus and the industry made to the Department of Trade and Industry ("DTI") on the draft National Gaming Amendment Bill have resulted in the DTI publishing a revised draft bill that does not include the references to slot machines' "look and feel" in relation to electronic bingo terminals ("EBTs"). While not conclusive, this is positive for the bingo industry and it is an indication that our representations are bearing fruit. Management is hopeful that the final bill will provide the certainty to the bingo industry that is required for it to continue to grow, and to assume its rightful market share in the gaming industry.

Illegal gambling remains a significant concern. Certain provinces are taking more decisive action against these operators, but much remains to be done. Management's efforts have resulted in the closure of sites, and the high court judgment in Niveus's favour, will assist in expediting the closure of more sites.

Bingo and casino operations

The EBITDA contribution from the segment increased to R104 million from R62 million in the comparative period. On a stand-alone basis, excluding head office costs, non-operational sites and developmental costs, the fully developed sites make a pro-forma EBITDA of R132 million per annum. During the year Galaxy was awarded 6 licences, 2 of which are already operational. Galaxy now operates 2 353 EBTs, an increase of 708 compared to the prior year.

The discussions with Kwazulu-Natal Gaming and Betting Board ("KZN Gaming Board") to settle numerous court cases are continuing. The main impediment to the settlement of the various cases, are actions brought by some of the incumbent casino operators against the approval of EBTs by the KZN Gaming Board.

The performance of the Kuruman casino has improved significantly; the net gaming win grew by 17,6% compared to the prior year.

Vukani

Vukani increased EBITDA to R343 million from R300 million in FY2016. The installed machine base increased to 5 603 machines [2016:5 265]. Average monthly gross gaming revenue ("GGR") per machine was R20 352 [2016:R18 492] with total GGR growing 12% year on year.

Sports betting

The retail and online sports betting offering have been consolidated under BET.co.za. The online offering is profitable and is growing consistently. The BET.co.za mobile app was launched in an effort to further improve the service offering and Niveus will continue to invest in this channel. The number of retail shops has been reduced following an evaluation of long term potential and investment requirements. The combined operations made an EBITDA loss of R3.6 million for the year compared to R9.5 million in 2016.

Niveus is separately listed and more information is available on www.niveus.co.za

GOLDEN ARROW BUS SERVICES PROPRIETARY LIMITED ["GABS"]

www.gabs.co.za

During the period under review, GABS and its subsidiaries posted a 9% increase in operating profit and 11% increase in PAT. This was largely achieved through an increase in the number of passengers carried within GABS operations, supplemented with a steady revenue flow from joint venture partnerships. This exceptional performance was underpinned by stringent cost containment measures and ongoing operational and technical interventions, aimed at achieving benchmark efficiencies across the entire operation. These efficiencies will stand the company in good stead for the future, management however is cautioning similar expectations for the current financial year as the general economic outlook is weak.

Cape Town's bus services date back to 1861, when permission for the establishment of the privately owned Cape Town and Green Point Tramway Company was granted. Today GABS, a wholly owned subsidiary of HCI is a continuation of this enterprise.

GABS is currently the only scheduled passenger transport operator in the Cape Metropole to have achieved prestigious government and industry recognized Road Transport Management System ("RTMS") accreditation. The fleet is also the single largest accredited to date. The Company operates 1 061 buses during peak hours, serving more than 3 100 routes in metropolitan Cape Town, covering a total area of approximately 2460 km². The fleet travels 70 million kilometers, conveying 56 million passengers annually, at a rate of approximately 220 000 per week day.

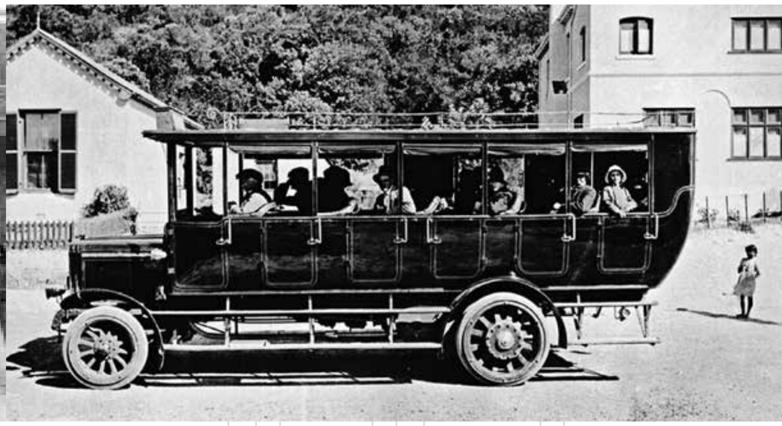
Bus services are provided from depots at Montana, Woodstock, Atlantis, Philippi (2), Blackheath and Simon's Town. The services from Atlantis have been subcontracted to Sibanye Bus Services, a joint venture established in 2001 between Golden Arrow, and two emerging bus operators, Abahlobo Transport Services and Siyakhula Bus Services.

GABS is also contracted as a Vehicle Operating Company to MyCiTi. The MyCiTi routes along the Atlantic seaboard, services are provided by Table Bay Rapid Transit ("TBRT"), a joint venture with Abahlobo and Siyakhulu Bus Services. The MyCiTi services from Khayelitsha and Mitchells Plain are operated by GABS as a subcontractor to the N2 Express Joint Venture with Mitchells Plain and Khayelitsha taxi operators.

The Company employs approximately 2 700 people. More than half of these – drivers, inspectors, regulators, small business unit managers, and operations managers – are directly involved with the running of bus services. In addition, the company employs a large contingent of engineering staff – electricians, body builders, fitters and turners, welders, sign writers and painters. Management, administrative staff, storemen, cleaners, and security officials make up the rest of the staff complement.

Since acquiring GABS in 2004, HCI has given impetus to a number of strategic focus areas in the company, which includes inter alia; the recapitalisation of the bus fleet, depot expansions, the purchase of a state of the art automated ticketing system, the construction of a new Learning and Assessment Centre, the consolidation of corporate social investment projects, subscription to optimal BBBEE ratings, the measurement and monitoring of sustainability indices and the institution of a companywide Risk Registry.

OPERATIONAL OVERVIEW



Fleet Recapitalisation

HCI introduced an ambitious fleet recapitalisation programme which realised the purchase of approximately 1 000 new buses at a cost of R1,5 billion over a 12-year period. This has enabled GABS to reduce the average age of its fleet from 18,3 years to 8,9 years which has markedly reduced overall maintenance and operational costs.

Depot Expansion

In 2008, the Southgate depot in Philippi was built at a cost of R42,3 million. This depot investment accommodates approximately a quarter of the company's bus fleet and is strategically located to serve the sprawling and populous metro's south-eastern suburbs. The depot also received engineering accreditation as being an environmentally green building with all aspects of the design and construction implemented through the use of processes that are environmentally responsible and resource-efficient.

Automatic Fare Collection System

After a thorough procurement process, the tender for the company-wide roll-out of an Automatic Fare Collection ("AFC") system was awarded to internationally-acclaimed urban mobility solutions' provider Parkeon at a cost of R80 million. The AFC system will make provision for the selling and updating of contactless smart cards at various points and will control both cash fare validation and smart card validation aboard buses. It will also allow for the capturing of invaluable ridership data which had previously not been available for analysis and will facilitate better business decisions and ensure that GABS's offerings meet the exact needs of passengers.

New Learning Centre

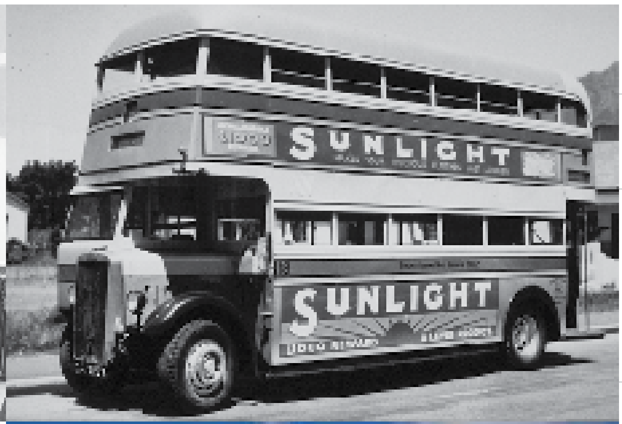
With the extension of training to MyCiTi Vehicle Operating Companies and the need to have a continuous and reliable pipeline of suitably qualified drivers, the GABS Board approved the construction of a new Learning and Assessment Centre at a cost of R30 million in Philippi. The Centre will also accommodate the company's Recruitment department and is poised to be entrenched as centre of driving excellence as well as promoting and developing skills and competencies that are allied to the commuter bus industry.

Corporate Social Investment

Through the HCI Foundation, GABS has been able to continue its support of the core projects that were started under the auspices of the erstwhile Golden Arrow Foundation; most notably the much vaunted Community Transport Programme, the provision of Tertiary bursaries to dependants of employees, the Grassroots Educare Trust and the Heartlands Child Care Centre.

With the support and guidance of the HCI corporate office, GABS has been able to improve its overall BBBEE ratings from a level 4 to a level 2 over a 7-year period; for the first time in its history has recorded carbon emissions and water usage throughout its operations which has enabled the company to measure itself against industry benchmarks and setting targets to generally reduce its carbon footprint. The contribution to the HCI group's risk registry has facilitated a comprehensive review of all risk categories across the company which has formalised and enumerated the quantum of risk in the company. The risk profile provides the GABS board with a sound basis of anticipating and managing the risks that the company is exposed to.


BOLAND TRANSPORT LTD


SUNLIGHT
SUNLIGHT


NEW
GOLD CROSS

HCI Properties


Shell House


Lynnridge Mall

HCI PROPERTIES ("HCI-P")
www.hciproperties.co.za

The HCI Properties profit before tax of R102 million for the year ending March 2017 excludes the effective fair value gain brought to account for the period under review of R169 million.

Acquisition and developments

HCI-P, together with the Berman Brothers Group ("BBG") acquired the 23,000m² retail/office complex at the Palms Lifestyle Centre in Woodstock, Cape Town in November 2016. The strategic development opportunity acquired is positioned in a strong upcoming growth node in Cape Town and bodes well for the HCI-P/BBG partnership.

Shell house, HCI-P's second inner city housing initiative, is fully operational with 100% of the retail let an 40% of the 528 rental units let in the first 3 months following completion.

Whale Coast Village Mall ("WCVM") in conjunction with Checkers Limited and Dorpstraat, is under construction, with the mall opening in December 2017. The Letting is satisfactory for the stage of the development. In time, the WCVM should follow similar trends to the Kalahari Village Mall investment being the dominant mall in the region for many years to come.

Monte Circle office precinct phase's one and two are complete. Take up of these initial buildings has prompted commencement of the third office building.

Phase Three of Westlake Extension development has broken ground. This 13 000m² joint venture development with Abland will be ready for beneficial occupation in May 2018.

Pipeline

The ongoing town planning and pre-development processes are in progress for two further, well positioned, mixed-use sites in Sea Point.

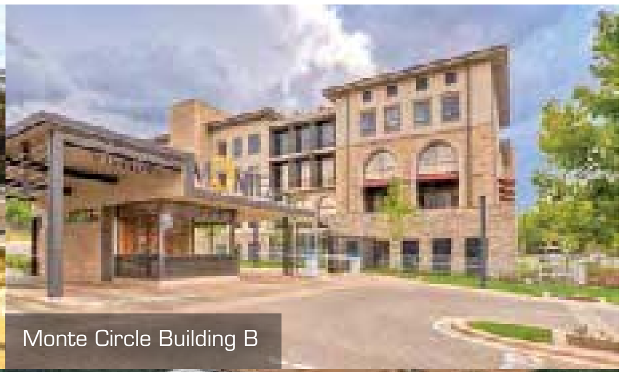
Conclusion

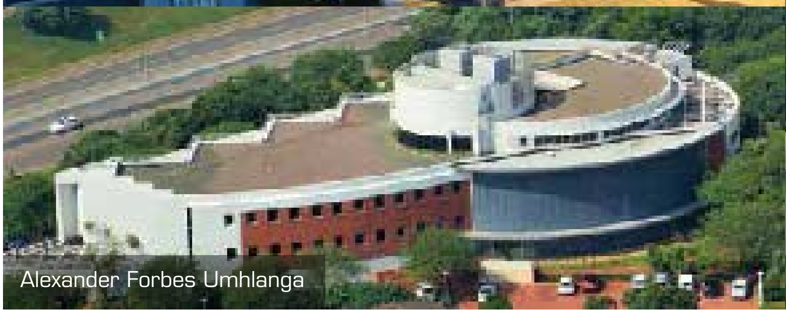
At date of reporting further acquisitions are being negotiated, although the current pipeline will not be bulked up at the pace of previous years. The political and economic environment dictates a cautious allocation of capital as well as a move from predominantly retail assets.


Whale Coast Village Mall

Olympus Village Mall

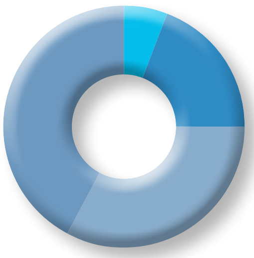

The Palms


Monte Circle Building B


Alexander Forbes Umhlanga

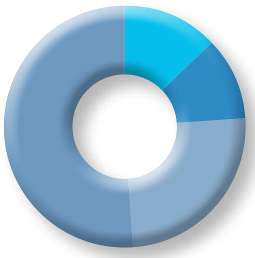

Westlake Industrial

Geographical Split of Revenue



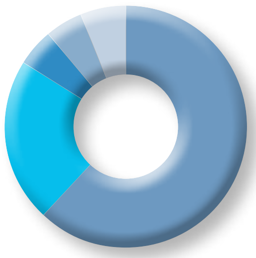
Northern Cape	19%
Western Cape	33%
Gauteng	42%
Kwazulu Natal	6%

Geographical Split of GLA (Gross Lettable Area - m²)



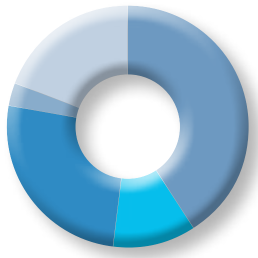
Northern Cape	11%
Western Cape	25%
Gauteng	51%
Kwazulu Natal	13%

Revenue by Asset Class

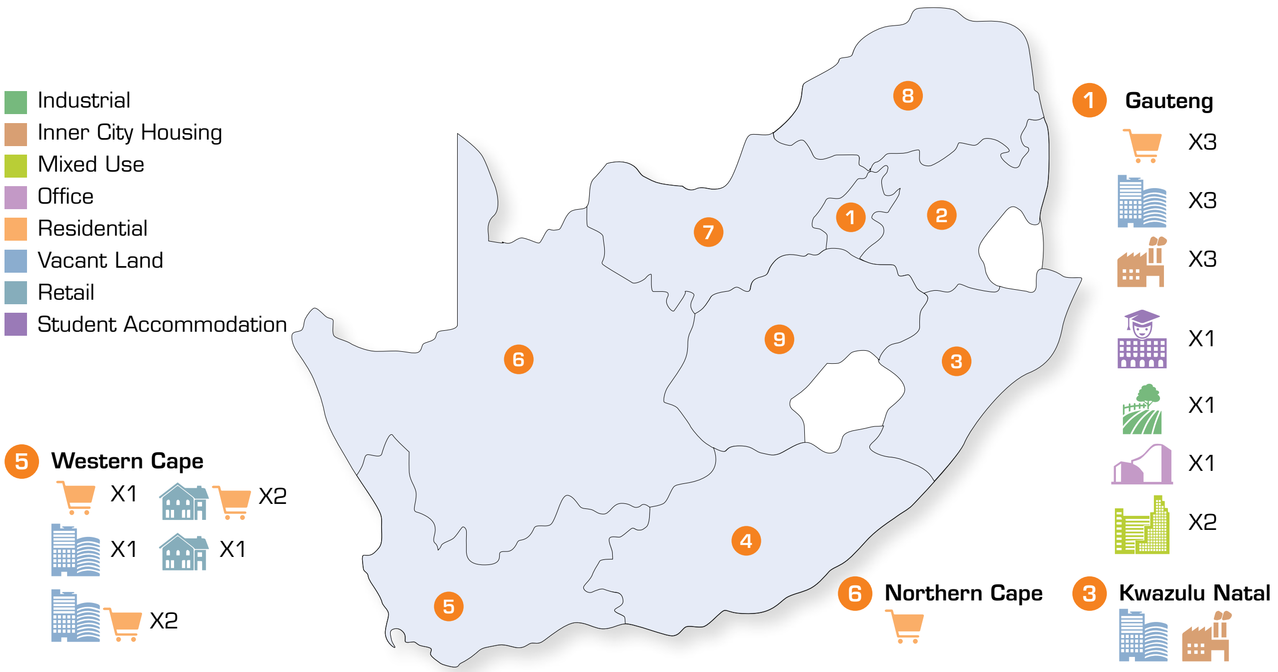


Retail	62%
Office	22%
Industrial	5%
Inner City Housing	5%
Convention	6%

GLA by Asset Class (Gross Lettable Area - m²)



Retail	41%
Office	11%
Industrial	26%
Inner City Housing	3%
Convention	19%



HCI Coal (Pty) Ltd


Mbali Colliery


Mbali Colliery - 2013


Mbali Colliery - 2016

HCI COAL PROPRIETARY LIMITED ["HCI COAL"]

HCI Coal achieved strong financial results for the year ended March 2017 with good operational performance at both Palesa and Mbali collieries supplying a range of coal products. Palesa produces thermal coal mainly for Eskom but, more recently, commenced supplying into the export market. Mbali produces an A Grade thermal coal which is exported, a middlings product for Eskom as well as a 5-seam metallurgical product which is sold locally.

Zero Lost Time Incidents remains a key focus for the group and safety is of paramount importance. The Lost Time Injury Frequency Rate achieved on a cumulative basis at Palesa Colliery was 0.27 (FY 2016 : 0.19) and 0.169 at Mbali Colliery (FY 2016 : 0.12). This good record was regrettably interrupted with a fatality post year-end at the Palesa Colliery.

HCI Coal started as a joint venture with a consortium in 2006 to develop various coal resources in the Mpumalanga province. HCI acquired the consortium interests in 2010 which are now housed in various wholly owned subsidiaries.

The flagship colliery, Palesa sold 2 182 413 tons, a new record since its inception in 2009, which is a 15% increase when compared to the 1 892 091 tons sold in the previous year. Palesa colliery has once again met its contractual obligation with Eskom for the seventh consecutive year.

Palesa began production on the 22 of January 2009 initially supplying Eskom with only 4 653 tons in February 2009. Short term supply contracts were concluded thereafter but it was only in March 2010 that Palesa signed an 8-year contract to supply 160 000 tons of coal per month to Eskom. An additional 30 000 tons was negotiated to supply Eskom from April 2013.

The Rooipoort Reserve, a mining right adjacent to the Palesa reserve, was granted in May 2014 which increased the Palesa reserve by 29 million tons making its total reserve approximately 88 million tons. The process of consolidating these two reserves has been recently approved by the DMR.

Mbali Colliery, in its 4th year of operation has performed admirably, reaching new heights on both production and sales fronts. Mbali was commissioned in October 2013 and immediately supplied coal to both the export and local markets. In the beginning of 2014 an offtake agreement for Export quality coal (RB1) was signed with one of the worlds major trading companies to supply a minimum of 360 000 tons per annum.

Mbali sold 419 756 tons of A Grade coal, 339 391 tons of middlings coal and 58 924 tons of 5-seam metallurgical coal, ending with total sales volumes of 818 072, up from the 607 669 tons sold in the previous year. Much of the increase in profitability can be attributed to the overall beneficiation yield which increased from 56% to 63% and the favourable export price.

Nokuhle Colliery, the third prospecting right, was converted into a mining right in November 2014. The Water Use License for Nokuhle Colliery was granted from the Department of Water Affairs on February 2017. All legal requirements are in place to commence mining. Drilling of further boreholes has commenced. Nokuhle colliery remains a significant coal deposit made up of 28 million inferred tons not reflected in the reserve statement below.

Revenue for the year increased by R276 million to R1.093 billion and EBITDA from R114 million to R244 million for the year under review. With a focus on cost containment, fit-for-purpose structures and processes, HCI Coal is well positioned for sustainable growth.


Mbali Colliery

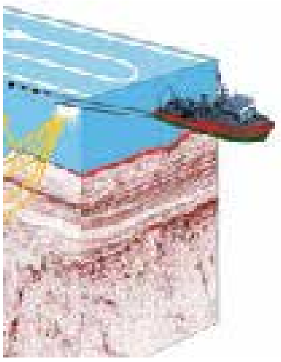
	Palesa Colliery Tons	Mbali Colliery Tons	Nokuhle Colliery Tons	Total Tons
Mineral reserve: proven	71 099 037	4 809 821	-	75 908 858
Mineral reserve: probable	17 551 309	-	6 389 801	23 941 110
	88 650 346	**4 809 821**	**6 389 801**	**99 849 968**

Over the years, HCI Coal and its subsidiaries have been committed to employing people from the local areas surrounding its operating mines, assisting local businesses as well as developing the local communities. Some of the major projects completed to date was the construction and equipping of a Grade R centre at Chief Luthuli Primary School, upgrading the Ndzundza Fene Traditional Council offices, constructing a library and staff room at Tetema Primary School and the re-construction of a rural road serving various communities adjacent to Palesa Colliery.


Palesa Colliery


Palesa Colliery - 2009


Palesa Colliery - 2016



IMPACT OIL AND GAS LIMITED ("IMPACT")
www.impactoilandgas.com

Impact Oil and Gas Limited ("Impact") is a UK-based hydrocarbon exploration company with a strategy focused on developing a portfolio of large, world-class oil and gas exploration licences in offshore areas of Africa with the potential to attract major oil and gas companies as partners. Despite the very large fall in oil and gas prices in recent years, which resulted in a huge cut-back in exploration activity by the oil industry worldwide, Impact has been able to continue with its strategy. Confidence in the oil industry is beginning to return as both investment and exploration activity appears to be rekindling.

South Africa: Impact entered South Africa in 2011 with the award of the Tugela South Permit offshore Durban, then added Tugela North, Transkei Algoa and West Bredasdorp in 2012. The Company has retained a 25% working in return for a carry of exploration costs by ExxonMobil. In late 2015, Statoil joined the partnership by acquiring a 35% interest from ExxonMobil. At over 75,000 km², Impact has one of the largest exploration portfolios offshore South Africa.

Work has continued to focus on the two large permits of Transkei/Algoa and Tugela South. Review of the 2D data over Transkei/Algoa, including the integration of the survey results with the aero gravity and magnetic survey which was commissioned over the South African Licences, has resulted in the JV considering further 2D and/or 3D seismic programmes for the block. Processing of the 3D data acquired over Tugela South in early 2016 is almost complete and detailed interpretation will soon commence. All costs are covered by the ExxonMobil carry arrangements. After considerable review and discussions with our partner ExxonMobil, Impact decided to relinquish the West Bredasdorp and Tugela North Permits in South Africa.

Impact successfully obtained the Orange Basin Deep TCP off the Western Cape in June 2016 and have since been interpreting existing data over the block.

Senegal/Guinea-Bissau ("AGC") Impact holds the 6,690 km² "Profond" offshore licence in the joint development region between the two countries. In early 2016 Impact agreed a farm-out with Woodside Petroleum, but due to certain conditions precedent not being met, completion was not achieved by the longstop date, and in February 2017 Impact exercised its right to terminate the farm-out agreement. Subsequent negotiations with the Chinese National Offshore Oil Corporation ("CNOOC"), resulted in CNOOC agreeing to farm-in to a 65% stake in the AGC Profond Block in March 2017. Impact retains a 20% interest in this block.

Gabon: Impact holds three deep water blocks, totalling 7,284 km², awarded in 2014, in one of the world's more established petroleum provinces. With the interpretation of 2D seismic data over the southern blocks, D13 and D14 completed, 3D seismic was purchased over that entire area in order to confirm and locate drillable prospects, and to ultimately attract a large partner. 3D seismic data had been acquired over Block B7, however detailed mapping of this data, down-graded Impact's view of the pre-salt prospectivity of this block, and consequently a decision was made to relinquish the licence.

Namibia: Impact currently holds a 90% operated interest in the large, offshore 2913B deep water block (8,215 km²) adjacent to the South African maritime border. The geology forms part of the South African Orange River Basin. In late 2016 Impact acquired 3D seismic over just under 1,900 km2 which is currently being processed and it is hoped that this will attract a major partner into the licence.

At the end of 2016, Impact raised $12.3million through an open offer to shareholders. HCI, together with Helios, provided the underwriting of the placing which thereby enabled its successful conclusion, including a further $5 million raise as an extension to this in 2017.

KAROSHOEK

bsg

Unlocking potential ➤ Accelerating performance

KAROSHOEK SOLAR ONE PROPRIETARY LIMITED (RF)

HCI is a 10% shareholder in Karoshoek Solar One, the company responsible for the Ilanga One solar project located just outside Upington. The company is building a 100 MW Concentrated Solar Plant, using parabolic trough technology. The project has won a contract to supply power to Eskom on a 20 year power purchase agreement. Our partners are IDC, PIC, ACS Cobra, Emvelo and the Community Trust.

The Upington area is one of the best places on earth to generate solar electricity, due to the outstanding solar radiation and the favourable access to the national grid. The plant is being built by ACS Cobra, a Spanish Company with long experience in concentrated solar technology. The plant will make use of molten salt technology to provide 4.5 hours of storage, therefore enabling Karoshoek to supply electricity after sunset, and into the peak period when Eskom requires greater levels of supply. Construction of the plant is well underway and electrical supply is scheduled for late 2018.

BUSINESS SYTEMS GROUP (AFRICA) PROPRIETARY LIMITED ["BSG"]
www.bsg.co.za

2017 is an auspicious year for BSG as it marks their 20-year anniversary, a great achievement in today's challenging economic climate. The vision of a truly South African consultancy that could compete as a credible alternate to global firms was achieved by developing young talent into some of the best business analysts in the market. BSG has evolved over the years to service the market through a broad set of capabilities extending into fast growing areas such as analytics, allowing BSG to strategically impact client work. Today BSG's experience spans banking, specialised financial services, insurance, retail, telecommunications and oil and gas.

Despite a challenging 2016, impacted by political uncertainty which led to less favourable macro-economic conditions, BSG grew their client base from four to eight key clients by ongoing focus on demand, people and cost. This was integral in stabilising BSG and ensuring that they face the future with resilience, focused on consolidation and execution. Pragmatic targets were set to achieve both a contained result for FY17, as well as lay a solid foundation leading into FY18.

Through BSG's core positioning of "getting the job done", It continues to deliver positive change by enabling clients to execute on their strategies and solve their most important business problems. BSG's key focus is offering services relating to the business customer interface and core operational platforms.

As part of HCI, BSG has received great support, advice to enable the building of relationships within the group, leading to some of the HCI group companies becoming clients of BSG and utilising their specialist consulting and technology services. Being part of HCI has also provided BSG with invaluable support in understanding and applying changes to empowerment regulations.

SHAREHOLDERS' SNAPSHOT

Analysis of shareholders

Listed below is an analysis of shareholdings extracted from the register of ordinary shareholders at 31 March 2017

Range of holdings

Share Range			Number of shareholders	% of current shareholders	Number of shares	% of Issued Capital
1	–	1000 shares	1 421	63,24	408 498	0,44
1 001	–	10 000 shares	482	21,45	1 777 246	1,91
10 001	–	50 000 shares	206	9,17	4 533 158	4,88
50 001	–	100 000 shares	51	2,27	3 607 321	3,89
100 001	–	500 000 shares	60	2,67	14 658 973	15,79
500 001	–	1000 000 shares	18	0,80	12 173 588	13,12
1 000 001	–	shares and over	9	0,40	55 655 864	59,97
			2 247	100,00	92 814 648	100,00

Type of shareholder

	Number of shareholders	% of current shareholders	Number of shares	% of Issued Capital
Public companies	29	1,29	5 597 993	6,03
Banks	34	1,51	6 096 591	6,57
Close corporations	66	2,94	3 708 090	4,00
Individuals	1 738	77,35	26 137 343	28,16
Nominees and trusts	196	8,72	2 762 048	2,98
Other corporations	71	3,16	38 962 391	41,97
Pension funds	68	3,03	2 310 561	2,49
Private companies	45	2,00	7 239 631	7,80
	2 247	100,00	92 814 648	100,00

Shareholders' diary

Financial year end	31 March
Annual general meeting	1 November
Reports	
- Preliminary report	May
- Interim report at 30 September	November
- Annual financial statements	September

Shareholdings greater than 5%

At 31 March 2017, insofar as HCI is aware, the following members beneficially held directly or indirectly 5% or more of the issued shares:

	2017	2016
Southern African Clothing and Textile Workers Union	**32,8**	32,8
Ronaldgate Proprietary Limited	**6,0**	-
Geomer Investments Proprietary Limited	**1,8**	7,8
J.A. Copelyn	**0,2**	5,5
	40,8	46,1

Shareholder spread

	Percentage held		Number of shareholders	
	2017	2016	**2017**	2016
Public	**54,9**	59,6	**2 239**	1 875
Non public	**45,1**	40,4	**8**	7
Directors	**6,5**	5,7	**3**	2
Associates of directors	**0,6**	0,9	**1**	1
Significant shareholder	**32,8**	32,8	**1**	1
Share trust	**0,7**	0,8	**1**	1
Treasury shares*	**4,5**	0,2	**2**	2
	100,0	100,0	**2 247**	1 882

*Nil shares (2016: 244 021) held by the company, pending cancellation, at year end.

Stock exchange performance	31 March 2017
Total number of shares traded (000's)	17 151
Total value of shares traded (R'000)	2 231 433
Market price (cents per share)	
- Closing	14 185
- High	15 000
- Low	10 450
Market capitalisation (R'000)	12 487 623

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

JOHN COPELYN

Chief Executive Officer
B.A. [Hons] B.Proc

Age: 66

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 holds directorships in numerous companies. He is chairman of Deneb Investments, Niveus Investments, eMedia Holdings, Tsogo Sun Holdings and the HCI Foundation.

KEVIN GOVENDER

Financial Director
B.Compt [Hons]

Age: 45

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 numerous HCI subsidiaries including Deneb Investments and eMedia Holdings. He is a trustee of the HCI Foundation. He was appointed to the Board of HCI as executive director in June 2009.

YUNIS SHAIK

Executive Director
B.Proc

Age: 58

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

NON-EXECUTIVE DIRECTOR

MAPI MHLANGU

National Diploma
Theatre Craft

Age: 41

Ngiphiwe (Mapi) Mhlangu is an executive news professional with over 16 years broadcasting experience. She is the managing director and editor-in-chief at eNCA, the most watched 24-hour news channel in the country, where she oversees and directs the editorial content for all news bulletins. She is the chair of the broadcasting forum of the South African National Editors Forum (SANEF), an African Leadership Initiative media fellow and Duke University Menell fellow. She is currently studying towards her MBA at Henley Business School. Mapi was appointed to the Board of HCI as non-executive director in March 2017.

MAHOMED GANI

Independent
Non-executive Director
member -
audit and risk committee

B.Compt [Hons] CA(SA)

Age: 64

Mahomed Gani is a Chartered Accountant with over 30 years' experience in the accounting and audit profession. He was a founding partner of MSGM Masuku Jeena Inc., a partner of Saboor Gani & Co and a partner of PwC until 2013. He is a non-executive director on a number of boards including Basil Read Holdings Limited, Dis-Chem Pharmacies Limited and Tsogo Sun Holdings and is on the investigating committee of the Independent Regulatory Board of Auditors. He was appointed to the Board of HCI as non-executive director in August 2016.

FREDDIE MAGUGU

Chairperson -
remuneration committee

BA (Theology)

Age: 56

Freddie has been serving the community in East London as a pastor since 2006. Prior to this appointment he reached the position of national organising secretary for the Southern African Clothing and Textile Workers Union and thereafter as a senior development manager at Unibank. He was appointed to the Board of HCI as a non-executive director in April 1998.

MORETLO MOLEFI

Chairperson -
social and ethics committee

Member -
audit and risk committee

BSC, MBCHB, Telemed
diploma, SMP

Age: 47

Moretlo is a businesswoman with interests in healthcare, specifically eHealth. She serves in the ministerial advisory committee on eHealth in SA and has served as a strategic advisor to the WHO eHealth sector. She holds a number of leadership positions and serves the boards of 3 listed companies as well as the board of South African Post Office. She was appointed to the Board of HCI as a non-executive director in January 2007.

ELIAS MPHANDE

Chairperson

Elec. Eng. [dip]

Age: 58

Elias was appointed as Chairperson of HCI in 2014. He has served as national organising secretary of the Southern African Clothing and Textile Workers Union, CEO of AUTA and of the Vukani Group and chairperson of Golden Arrow Bus Services. He is a director of eMedia Holdings and Tsogo Sun Holdings. He was appointed to the Board of HCI as a non-executive director in September 2010.

JABU NGCOBO

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

Age: 65

Jabu served as regional secretary for Africa of the International Textile Garment and Leather Workers Federation from 2006. Prior to this appointment he held the position of general secretary of the Southern African Clothing and Textile Workers Union for 6 years. He is a director of Niveus Investments and Tsogo Sun Holdings. He was appointed to the Board of HCI as a non-executive director in October 2004.

RACHEL WATSON

Age: 58

Rachel currently holds a position as manager at a regional broadcaster. Prior to this appointment she was employed for 33 years within the clothing industry, serving as a trade union representative and national media officer. She is a director of Deneb Investments and eMedia Holdings. She was appointed to the Board of HCI as a non-executive director in March 2014.

CORPORATE GOVERNANCE

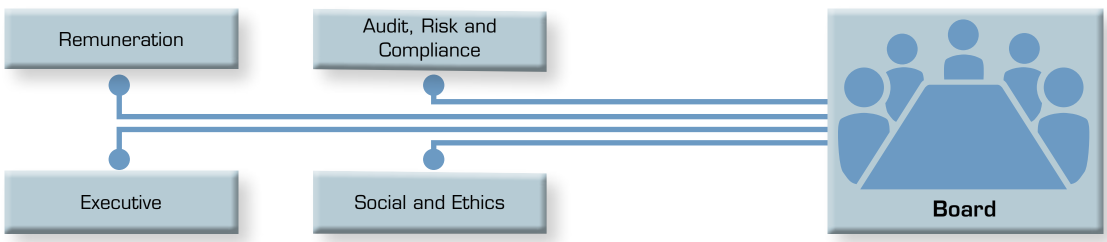
HCI is committed to the highest standards of business integrity, ethics and professionalism. The King IV report on Corporate Governance, which is on an apply and explain basis, was released on 1 November 2016. King IV advocates an outcomes-based approach and defines corporate governance as the exercise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

- Ethical culture;
- Good performance;
- Effective control; and
- Legitimacy.

The effective date for disclosure on the application of King IV is only in respect of financial years starting on or after 1 April 2017, nevertheless, HCI has reviewed the practices underpinning the principles promoted in King IV. Many of these principles are entrenched in the Group's internal controls, policies and procedures governing corporate conduct. The board is satisfied that HCI, in all material aspects, complies with the major recommendations of the King IV code to ensure that sound corporate governance and structures are applied within the Group.

Corporate governance structure

The following diagram shows the Groups governance structure as at 31 March 2017.



		Board	Audit and risk committee	Remuneration committee	Social and ethics committee
Number of meetings held		**4**	**4**	**2**	**2**
Attendance by directors					
JA Copelyn	Chief executive officer – executive director	4	-	2	2
MSI Gani *	Independent non-executive director	3	3	-	-
TG Govender	Chief financial officer – executive director	4	4	2	-
MF Magugu	Independent non-executive director	4	-	2	-
NH Mhlangu **	Non-executive director	1	-	-	-
LM Molefi	Independent non-executive director	4	4	-	2
VE Mphande	Chairperson – independent non-executive director	4	-	-	-
JG Ngcobo	Independent non-executive director	4	4	2	2
Y Shaik	Executive director	4	-	-	-
RD Watson	Independent non-executive director	4	-	-	-

* Appointed 30 August 2016 ** Appointed 23 March 2017

Management, external auditors, chief audit executive and chief risk officer attend the meetings as invitees.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE
KING IV – Application Register

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

Principal 1: The governing body should lead ethically and effectively.

The values of the Board of Directors ("the board") are reflected in the behaviour of its directors. The sound and visible leadership of the board is characterised by the ethical values of responsibility, accountability, fairness and transparency which are embodied in the Company's code of ethics adopted by the board for the company. The behaviour and the code of ethics is a cornerstone for the long-term strategy of the company and confirms the manner in which the company conducts its business, its ethics and compliance, and embodies the standards that the board has set for itself and for the group.

Stakeholders' interests are balanced against effective risk management and HCI's obligations to ensure ethical management and responsible control.

Principal 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

Ethical conduct, good corporate governance, risk governance and fair remuneration are fundamental to the way that HCI manages its business.

The company has clearly defined values which all employees are expected to abide by. The board sets the values which promotes an ethical environment of fairness and transparency. The board has delegated the authority to management to promote the code of ethics, but the Board remains ultimately responsible for the ethics of the company. The code of ethics of the Company is principle - based, not governed by a set of rules that must be implemented and monitored.

Effective ethics and compliance structures are fundamental to the manner in which HCI conducts its business. HCI has invested in numerous businesses in highly regulated environments. The frameworks have the capability to manage and monitor compliance standards and rules, and evaluate the compliance with regards to best business practices.

Principal 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.

The company has a well-established Foundation - the HCI Foundation - which is involved in numerous social programs, especially in the educational sector.

HCI and all its underlying investments are committed to Broad Based Black Economic Empowerment and undergo annual verification. Greater emphasis is constantly placed on economic transformation and empowerment. The HCI Supplier Club has been implemented to afford further economic transformation.

All the underlying investments participate in the carbon disclosure project to monitor the impact the businesses have on the environment and attempt to reduce this impact on an annual basis.

The board ensures that the company is a responsible corporate citizen, by complying with all national and international laws of the counties in which they operate.

HCI sees itself as a good corporate citizen in all its financial matters and has always received an unqualified opinion form its auditors - no fraud, or allegations of fraud, have been identified over the past 20 years.

Principal 4:	The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

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

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

The board reviews the resources available to execute its strategy which includes financial resources, processes, systems, infrastructure, intellectual property, positioning, related assets and employees that support its value chain. The board takes account of the legitimate interests and expectations of its stakeholders in its decision-making in the best interests of the company.

Strategy is translated into key performance and risk areas (including finance, ethics, compliance and sustainability); and the associated performance and risk measures are identified and clear. All strategies implemented will have both positive and negative consequences on social and environmental conditions depending on the various advocacy groups which reflect the underlying value differences of the groups. However, the company continues to monitor and assess the risk, including the reputational risk, when determining strategy.

Principal 5:	The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long term prospects.

The company has controls to enable it to verify and safeguard the integrity, i.e. accuracy and reliability, of its integrated report. The board ensures that the reporting framework complies with the Companies Act of 2008, as amended, and the JSE listing requirements.

The board reviews the provisional results, interims results, integrated report and annual financial statements to ensure that all the reporting requirements are sufficiently met. The board, via its committees, are responsible for all reports and circulars that are published and circulated to shareholders.

Principal 6:	The governing body should serve as the focal point and custodian of corporate governance in the organisation.

One of the functions of the audit committee is to oversee the corporate governance of the company. Good corporate governance incorporates best business practices which is aligned with the overall strategic direction of the company. The board is fully involved with approving policy and planning by managing the strategy of the company; determining if the acquisition is in line with the corporate vision; requesting and reviewing evaluations, review the plans and the risks and the manner in which to mitigate these risks.

Principal 7:	The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

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

The board is comprised of 10 members which include 3 executive directors and 7 non-executive directors of which 6 are independent non-executive directors. As per the rules of the JSE and the Companies Act of 2008, the board has a sufficient number of independent directors to appoint to the board committees and make up a quorum at all meetings. The board is comprised of directors with specialized knowledge and experience in legal, financial, medical, media, labour relations, business and theological sectors.

The board is chaired by Mr Mphande, an independent non-executive director, who is not a former CEO of the Company. There is a clear division of responsibilities between the chairman and chief executive officer.

The board does not deem it necessary to appoint a lead independent director. In the event that Mr Mphande is absent from a meeting, another independent non-executive director will be appointed to chair the meeting. A formal role description exists for the chairperson.

One-third of the board, including executive directors, are elected by shareholders on a rotational basis. Furthermore, directors appointed to the board during the course of the year retire as directors of the company and stand for election by shareholders in accordance with the Companies Act of 2008, as amended.

The board does not have a nomination committee, all new candidates are vetted and approved by the board as a whole.

The board has applied its mind and has determined, that in line with the Companies Act, the independent directors, and those non-executive directors that have served for more than 9 years, are not unduly influenced by any relationship which will cause bias in their decision-making, and which is not in the best interest of the Company. A number of the independent directors of the board sit on the board of subsidiary companies as independent non-executive directors.

The company considers itself as an outstanding example in relation to BBBEE. It is both owned by more than 50% of PDI shareholders and its board is representative of this status. The composition of the board is 90% people of colour and has reached its gender target of 30% women, all of which are women of colour.

Principal 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.

The board ensures that suitable candidates are appointed to the subsidiary committees so as to achieve the objectives of the board committee. The overall role and associated responsibilities and functions of the committees are included, where necessary, in the terms of reference.

All members of the board of the company as well as the committees of the board have access to resources and information and may request information directly from management on matters of interest to the board.

If required, the directors may take independent advice. Each board committee is chaired by a different non-executive director of the board. The board of the Company consists of 7 non-executive directors which allows for a balanced distribution of power in respect of membership across committees, so that no individual has the ability to dominate decision-making, and no undue reliance is placed on any individual.

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

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

The board has agreed that the assessments are best conducted by dialogue between all the board members in a transparent and open manner at the board meetings.

The audit committee completes written assessments of the committee, the finance director and the finance team as well as on the external auditors and submits these to the company secretary for review. An assessment of the internal auditor has not yet been conducted.

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

The board determines the role, functions, duties and performance criteria for the directors on the board and board committees which serve as a benchmark for performance appraisal.

The remuneration committee reviews and assesses the results of the company and benchmarks them against set targets and the action plan as approved previously by the board.

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

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

The board has set the direction and parameters for the powers which are to be reserved for itself, and those that are to be delegated to management via the CEO. The CEO is responsible for leading the implementation and execution of approved strategy, policy and operational planning, and serves as the chief link between management and the board. There is at present no formal succession plan for the CEO.

The CEO and CFO oversee that key management functions are headed by individuals with the necessary competence and authority as delegated by the board and have been authorised to ensure that key management functions are adequately resourced. The board of directors of the underlying investments contribute to decisions regarding senior executive appointments in their specific operations.

The board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities within the Company.

The company secretarial department is managed by a fellow of the Institute of Chartered Secretaries, who is empowered and authorised to provide corporate governance services to the board and management. The board is satisfied that these arrangements are effective.

The role and function of the company secretary is in accordance with Section 88 the Companies Act of 2008. A resolution confirming the appointment of the company secretary by the board of directors is in place. The company secretary has unfettered access to the board (and vice versa) but, for reasons of independence, maintains an arms-length relationship with it and its members; accordingly, the company secretary is not a member of the board. The performance and independence of the company secretary is evaluated annually by board.

Principal 11:	The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.

The board's responsibility for risk governance is expressed in the board charter and risk policy and plan. As an investment holding company, HCI continuously considers the risks and opportunities related to its current portfolio as well as future investments. This process, which is integral in the manner the Company makes decisions and executes these decisions, is led by the executive committee and supported by the audit and risk committee and the board as a whole.

The board monitors that risks taken are within the risk tolerance and appetite levels. The setting of risk tolerance levels is considered at the subsidiary board level. No specific risk tolerance levels have been set at the group level with each investment opportunity being considered on its own merit.

The audit and risk committee reviews the risk management progress and maturity of the company, the effectiveness of risk management activities, the key risks facing the company, and the responses to address these key risks.

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

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

The board assumes the responsibility for the governance of IT and places it on the board agenda, however, the governance of IT and technology has limited scope at the Group level. Subsidiary companies assume responsibility for the direction and approach to IT and technology.

Principal 13:	The governing body should govern compliance with applicable laws, and adopted non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

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

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

The board has delegated the responsibility for the implementation and execution of compliance management to the relevant boards and management of the subsidiary companies. The board of HCI and its management are represented on all the boards of the subsidiary companies. The board understands, and is aware, that the promotion of a culture of compliance within the group will reduce the risk of violating the rules and regulations that govern the company; the process of compliance can, furthermore, remedy any breach that may have occurred.

Monitoring of compliance is a systematic and on-going process to ensure that the compliance framework is effective and that any associated risks and/or breaches in compliance are effectively managed and mitigated. HCI is an investment holding company and as such the risk management process continuously takes cognisance of risks and opportunities inherent to its investment portfolio.

The board is further satisfied that the Company has met the requirements of the Companies Act (No. 71 of 2008), as amended (Companies Act), and the Listings Requirements of the JSE Limited. Compliance with all relevant laws, regulations, accepted standards or codes is integral to the Group's risk management process and is monitored on a continuous basis. As in previous years, there has been no major non-compliance by, or fines or prosecutions against the Group, during the year under review.

Principal 14:	The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

HCI's remuneration committee is responsible for overseeing the remuneration of all directors, management board members as well as the compensation of non-executive directors at a Group level. The remuneration is aligned with the Company's approach of rewarding directors and senior executives fairly and competitively, but according to the overall level of performance of the Group.

The remuneration policy does not address the organisation-wide remuneration as the board and management of HCI do not dictate the remuneration policies of the subsidiary companies. The remuneration of the management of subsidiary companies will include provisions to reward the specialised skills required to operate within a particular business segment.
The HCI remuneration policy is set out in the remuneration report and is further detailed in the King IV report on the company website www.hci.co.za. The non-binding approval of the remuneration report is placed before shareholders at the annual general meeting.

Remuneration policies and practices are aligned with company strategy which includes the achievement of strategic objectives within the organisations risk appetite and tolerance levels. The remuneration policy of the Group and subsidiary companies promote positive outcomes with long-term share scheme incentives. Multiple performance measures are used to avoid manipulation of results or poor business decisions. Incentives are based on company performance and sustainability, targets reached, share price and headline earnings of the company. The performance of all underlying investments in the group are measured against set targets.

The share schemes are based on long-term goals. Bonuses are an acknowledgment of the achievement of short term goals. If incentives are given for both long-term and short-term goals, the performance drivers are not duplicated and a balance is struck with the need to reward success over the longer term.

Employment contracts do not commit the company to pay on termination arising from an executive's failure. There is no automatic vesting of shares on early termination of employment, but rather at the discretion of the board. In the event of a change of control of the company there would be automatic vesting of shares but a decision would need to be ratified by the board of directors.

Principal 15:	The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

Internal controls are established not only over financial matters, but also operational, compliance and sustainability issues. Although a combined assurance model has not yet been formalised for the group, various sources of assurance are currently in place both at group level as well as at its underlying subsidiaries. These include, but are not limited to, internal audit, compliance, external audit, and various specialist external consultants.

The internal audit function is independent and objective. The function reports administratively to the Group CFO and functionally to the Chairman of the audit and risk committee, which has approved the appointment of the CAE.

Internal audit functions of the larger subsidiaries perform risk-based auditing. In addition, audit plans are determined by annual risk assessments in these entities. The remainder (smaller subsidiaries) follow a compliance / process-based audit approach Certain initiatives are being implemented to ensure all subsidiaries follow the same risk assessment and audit approach.

It has not been possible to provide an overall assessment of the group's internal control environment due to the following reasons:

- Certain smaller subsidiaries not yet being exposed to internal audit reviews;
- The internal audit coverage of some subsidiaries not including certain key business areas / processes.

The internal audit function complies with the code of ethics of the Institute of Internal Auditors.

Principal 16:	In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

The board has adopted a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation. This stakeholder-inclusive approach requires the identification of the stakeholders and the inter-connectivity behind the stakeholders to allow for the development of a strategy to manage and integrate the relationships between all the stakeholders by managing the business environment, relationships and promotion of share interests. The board has delegated the development of the strategy to management. The board has adopted communication guidelines that support a responsible communication programme. Stakeholder communication is through SENS announcements and the Company's website and further reports as required by the JSE.

The company continuously monitors the effect any decision implemented would have on the company's reputation.

REPORT OF THE AUDIT COMMITTEE

Members: Mr MSI Gani [chairman], Dr LM Molefi, Mr JG Ngcobo.

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

During the year under review four audit committee meetings were held. Please see table on page 40 for attendances at these meetings. Mr MSI Gani was appointed to the board of directors and as a member of the audit committee on the 30th August 2016.

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 Act, 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 Act, recommendations by King IV 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 Act 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 Act and accordingly nominates Grant Thornton Johannesburg Partnership to continue in office as the independent auditor and noted the appointment of Mr Ben Frey as the designated auditor for 2017;
- 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.

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 has established 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 D Levin is the group risk officer for the HCI Group. The risk report follows this report. Internal control structures have been implemented to ensure that significant business and financial risk is identified and appropriately managed.

The group audit 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 2017 and, based on the information provided to the committee, the committee recommends the adoption of the integrated annual report by the board.

Mr MSI Gani
Chairperson : audit committee
30 August 2017

REPORT OF THE RISK COMMITTEE

The audit and risk 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 IV. The committees' responsibilities are to ensure that:

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

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

A disciplined and timeous reporting structure enables the committee to be fully apprised of group company activities, risks and opportunities. This is achieved by requiring that 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 chairperson of the committee reports to the board of HCI on the most significant risks derived from the above process. 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.

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.

D Levin
Group risk officer
30 August 2017

REPORT OF THE REMUNERATION COMMITTEE

Members: 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 IV, the chief executive officer attends the meetings of the committee at the request of the committee, but recuses himself from the meeting before any decisions are made.

The committee 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 who are aligned to the strategic and operational requirements of the business.

The functions and mandates of the remuneration committee include:

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

Share options are allocated to participants at a ten percent discount to the 20 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
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 19% and an annual interest rate of 6%

Executive directors earn a basic salary which is determined by independent remuneration consultants and escalates in line with inflation for the duration of their contracts. Bonuses payable are discretionary, recommended by this committee and approved by the Board. The committee considers various factors in determining executive bonuses. These include earnings growth of the Group and individual subsidiaries, the value created by transactions concluded and implemented and strategic and operational success achieved within subsidiaries during the year under review. The maximum bonuses that can be earned by executive management are as follows:

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

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	Actual Fee 2017	Proposed Fee (Excl VAT)
	R'000	
Non-executive director	270,5	290,8
Member of audit committee	111,4	119,8
Member of remuneration committee	71	76,3
Member of social and ethics committee	81,6	87,7

Directors' emoluments and other relevant remuneration information are disclosed on page 54 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 remuneration of the three highest paid members of management, that are not directors, for the year ended 31 March 2016 is reflected below:

	Salary per annum R'000	Other benefits R'000	Bonus R'000	Other long-term incentives R'000	Gains on share scheme* R'000	Total R'000
Employee A	4 217	839	2 741	-	20 636	28 433
Employee B	6 476	572	5 237	13 175	-	25 460
Employee C	3 849	711	2 509	15 479	-	22 548

* IFRS2 share-based payment expense

MF Magugu
Chairman: remuneration committee
30 August 2017

HCI Employee Share Option Scheme

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

Options must be exercised within six months of the vesting date, 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 had 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. Options not exercised within the specified time periods lapsed. Options vested over periods of three to seven years. These vesting periods could 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. 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. No options have been issued in terms of this scheme since the implementation of The HCI Employee Share Scheme.

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

	2017		31 March 2016 is reflected below	
	Number of share options	**Weighted average exercise price R**	Number of share options	Weighted average exercise price R
Balance at beginning of the year	**1 770 367**	**99,66**	2 058 304	87,97
Options granted	**409 518**	**117,03**	306 833	123,49
Options unconditional	**(518 690)**	**87,45**	(589 648)	70,98
Options forfeited	**(11 743)**	**122,62**	(5 122)	132,61
Balance at the end of the year	**1 649 452**	**107,65**	1 770 367	99,66

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 29% (2016: 19%) and an annual interest rate of 7% (2016: 6%). The cost relating to these options is recognised by allocating the fair value over the vesting period on a straight-line basis.

The volume weighted average share price during the current year was R130.10 (2016: R129.84).

All options issued in terms of The HCI Employee Share Trust (2001) and outstanding at 31 March 2017 have vested and will become unconditional upon payment of the strike price. Options that remain in issue at 31 March 2017 and which are not yet unconditional:

	Number of share options	Exercise price R
Options vested but not yet paid for	7 500	37,80
Options vested but not yet paid for	484 898	70,00
	492 398	

The options issued in terms of the Scheme and outstanding at 31 March 2016 become unconditional between the following dates:

19 March and 19 September 2017	39 696	125,02
27 August 2017 and 27 February 2018	77 077	150,07
29 August 2017 and 28 February 2018	45 874	77,24
18 March 2018 and 18 September 2018	167 523	135,99
19 March 2018 and 19 September 2018	39 695	125,02
27 August 2018 and 27 February 2019	304 501	123,49
27 August 2018 and 27 February 2019	16 738	150,07
19 March 2019 and 19 September 2019	39 695	125,02
27 August 2019 and 27 February 2020	16 737	150,07
26 September 2019 and 26 March 2020	395 670	117,03
26 September 2020 and 26 March 2021	6 924	117,03
26 September 2021 and 26 March 2022	6 924	117,03
	1 157 054	
Total number of options in issue	1 649 452	

A maximum number of 711 491 (2016: 668 997) shares may be issued in respect of 1 157 054 (2016: 1 075 999) options issued in terms of the Scheme.

The maximum number of shares that may be utilised for the purposes of the Scheme is 10 500 000 shares. In addition to the options in issue at the reporting date and shares already delivered to participants, a further 9 233 368 (2016: 9 356 249) shares may be utilised by the Scheme. 409 518 (2016: 306 833) options were issued in terms of the Scheme during the year and 80 387 shares delivered to participants (2016: 287 118).

		2017		2016	
		Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
OPTIONS GRANTED TO EXECUTIVE DIRECTORS					
JA Copelyn	*				
Balance at the beginning of the year		**600 115**	**97,13**	771 159	85,70
Options granted		**123 956**	**117,03**	102 442	123,49
Options vested and shares delivered		**(103 607)**	**118,06**	(273 486)	74,78
Balance at the end of the year		**620 464**	**97,61**	600 115	97,13
Unconditional between the following dates:					
29 June 2008 and 28 June 2014		**308 571**	**70,00**	308 571	70,00
28 August and 28 November 2016		**-**	**-**	103 607	118,06
27 August 2017 and 27 February 2018		**12 631**	**150,07**	12 631	150,07
18 March and 18 September 2018		**72 864**	**135,99**	72 864	135,99
27 August 2018 and 27 February 2019		**102 442**	**123,49**	102 442	123,49
26 September 2019 and 26 March 2020		**123 956**	**117,03**	-	-
TG Govender	**				
Balance at the beginning of the year		**202 681**	**105,17**	250 075	96,74
Options granted		**78 692**	**117,03**	11 384	123,49
Options vested and shares delivered		**(69 646)**	**118,06**	(58 778)	72,85
Balance at the end of the year		**211 727**	**105,33**	202 681	105,17
Unconditional between the following dates:					
29 June 2008 and 28 June 2014		**77 143**	**70,00**	77 143	70,00
28 August and 28 November 2016		**-**	**-**	69 646	118,06
27 August 2017 and 27 February 2018		**16 629**	**150,07**	16 629	150,07
18 March and 18 September 2018		**27 879**	**135,99**	27 879	135,99
27 August 2018 and 27 February 2019		**11 384**	**123,49**	11 384	123,49
26 September 2019 and 26 March 2020		**78 692**	**117,03**	-	-
Y Shaik					
Balance at the beginning of the year		**126 440**	**124,93**	119 086	125,02
Options granted		**8 369**	**117,03**	7 354	123,49
Balance at the end of the year		**134 809**	**124,44**	126 440	124,93
Unconditional between the following dates:					
19 March and 19 September 2017		**39 696**	**125,02**	39 696	125,02
19 March and 19 September 2018		**39 695**	**125,02**	39 695	125,02
19 March and 19 September 2019		**39 695**	**125,02**	39 695	125,02
27 August 2018 and 27 February 2019		**7 354**	**123,49**	7 354	123,49
26 September 2019 and 26 March 2020		**8 369**	**117,03**	-	-

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 five years of the options' vesting date.

		R'000	R'000
JA Copelyn	*		
Payable by 17 June 2018		**10 411**	10 411
TG Govender	**	**7 316**	7 316
Payable by 11 June 2017		**3 333**	3 333
Payable by 17 June 2018		**3 983**	3 983

* Mr JA Copelyn took delivery of 308 571 shares on 9 June 2017 in terms of the provisions of The HCI Employee Share Trust (2001).

** Mr TG Govender took delivery of 77 143 shares on 9 June 2017 in terms of the provisions of The HCI Employee Share Trust (2001).

		Direct beneficial		**Indirect beneficial**		**Associates**	
		Number	**Percentage holding**	**Number**	**Percentage holding**	**Number**	**Percentage holding**
DIRECTORS' SHAREHOLDINGS							
31 March 2017							
Executive directors							
JA Copelyn	*	**145 565**	**0,2**	**5 612 521**	**6,0**	**-**	**-**
TG Govender	**	**232 465**	**0,3**	**17 250**	**-**	**604 244**	**0,6**
		378 030	**0,5**	**5 629 771**	**6,0**	**604 244**	**0,6**
'31 March 2016							
Executive directors							
JA Copelyn		5 736 886	5,5	-	-	-	-
TG Govender		218 214	0,2	17 250	-	1 004 244	0,9
		5 955 100	5,7	17 250	-	1 004 244	0,9

* Mr JA Copelyn sold 138 856 and 169 715 shares to an associate entity and to an unassociated entity, respectively, on 12 June 2017. An associate entity of Mr Copelyn purchased 716 800 shares in the company on 18 August 2017.

** Mr TG Govender sold 94 584 shares to an associate entity on 12 June 2017.

Other than as noted there were no changes in directors' shareholdings between 31 March 2017 and the date of issue of this report.

		Board fees R'000		Salary R'000	Other benefits R'000	Gains from share options R'000	Bonus R'000	Total R'000
DIRECTORS' EMOLUMENTS								
Year ended 31 March 2017								
Executive directors								
JA Copelyn		-		**6 493**	**833**	**3 803**	**4 870**	**15 999**
TG Govender		-		**3 380**	**585**	**1 640**	**1 690**	**7 295**
Y Shaik		-		**3 355**	-	**1 311**	**2 181**	**6 847**
Non-executive directors								
JG Ngcobo		**917**	(1)	-	-	-	-	**917**
MF Magugu		**330**	(2)	-	-	-	-	**330**
ML Molefi		**539**	(3)	-	-	-	-	**539**
MSI Gani	*	**495**	(4)	-	-	-	-	**495**
NM Mhlangu	**	**8**		-	-	-	-	**8**
R Watson		**657**	(5)	-	-	-	-	**657**
VE Mphande	-	**804**	(6)	-	-	-	-	**804**
		3 750		**13 228**	**1 418**	**6 754**	**8 741**	**33 891**

* Appointed 30 August 2016

** Appointed 23 March 2017

(1) Includes R107 667 audit committee fees, R18 094 remuneration committee fees, R4 967 social and ethics committee fees and R525 000 board fees paid by subsidiary companies

(2) Includes R68 667 remuneration committee fees

(3) Includes R107 667 audit committee fees, R13 125 remuneration committee fees, R9 938 social and ethics committee fees and R147 000 board fees paid by subsidiary companies

(4) Includes R63 917 audit committee fees and R267 000 board fees paid by subsidiary companies

(5) Includes R396 000 board fees paid by subsidiary companies

(6) Includes R543 000 board fees paid by subsidiary companies

		Board fees R'000		Salary R'000	Other benefits R'000	Gains from share options R'000	Bonus R'000	Total R'000
DIRECTORS' EMOLUMENTS								
Year ended 31 March 2016								
Executive directors								
JA Copelyn		-		**6 114**	**877**	**3 488**	**2 751**	**13 230**
TG Govender		-		**3 183**	**607**	**1 500**	**525**	**5 815**
Y Shaik		-		**3 159**	**-**	**1 212**	**1 232**	**5 603**
Non-executive directors								
JG Ngcobo		**886**	(1)	-	-	-	-	**886**
LW Maasdorp	*	**348**	(2)	-	-	-	-	**348**
MF Magugu		**311**	(3)	-	-	-	-	**311**
ML Molefi		**528**	(4)	-	-	-	-	**528**
R Watson		**610**	(5)	-	-	-	-	**610**
VE Mphande		**612**	(6)	-	-	-	-	**612**
VM Engel	**	**30**		-	-	-	-	**30**
		3 325		**12 456**	**1 484**	**6 200**	**4 508**	**27 973**

* Resigned on 31 March 2016

** Mrs VM Engel passed away on 18 May 2015

(1) includes R43 750 audit committee fees, R46 125 remuneration committee fees, R33 250 social and ethics committee fees, and R517 000 board fees paid by subsidiary companies

(2) includes R101 791 audit committee fees

(3) includes R64 667 remuneration committee fees

(4) includes R101 791 audit committee fees, R9 375 remuneration committee fees, R11 958 social and ethics committee fees, and R159 000 board fees paid by subsidiary companies

(5) includes R364 000 board fees paid by subsidiary companies

(6) includes R366 000 board fees paid by subsidiary companies

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

Committee members: Dr LM Molefi (Chairperson); Mr JG Ngcobo, Mr JA Copelyn

The Social and Ethics Committee assists the Board in monitoring the Company's performance as a good and responsible corporate citizen. This report by the committee is prepared in accordance with the requirements of section 72(4) to section 72(10) of the Companies Act (No. 71 of 2008), as amended (Companies Act), and regulation 43 to the Act and describes how the committee has discharged its duties in respect of the financial year ended 31 March 2017.

The committee comprises of two independent non-executive directors and an executive director, as appointed by the Board. The chairman of the committee is Dr LM Molefi, an independent non-executive director. To ensure that the committee fulfils its responsibilities, the composition of the committee has been expanded by a number of personnel from within the company, who are the drivers of the underlying functions of the committee and have been invited to join the meetings. In line with the Act, the invitees do not have voting powers. In terms of the committee's mandate, at least two meetings should be held annually. Attendance at meetings are included on page 40.

There were no amendments to the committee's mandate during the year. The committee continues to review and report to the board on the Company's sustainable development practices of the Group which include:

- ethics
- corporate social investment
- broad-based black economic empowerment
- health and public safety
- labour relations and working conditions
- environmental impacts
- compliance in terms of the above
- fraud

The sustainability report on pages 57 to 59 and the corporate social investment report on pages 60 to 70 incorporates the various aspects overseen by the committee.

Dr LM Molefi
Chairperson: social and ethics committee
30 August 2017

HCI is committed to environmental and social sustainability and to integrating these issues in our business practises.

The focus of the group is on three key areas:
- Black economic empowerment
- Environmental sustainability
- Social investments

BLACK ECONOMIC EMPOWERMENT

The company has its roots in the trade union movement and the South African Clothing and Textile Workers Union continues to be a major shareholder of HCI. Through this shareholding, more than 90 000 clothing and textile workers benefit from HCI's investments.

HCI maintains its commitment to broad based Black Economic Empowerment and is one of the most empowered companies on the JSE. The performance in relation to Black Economic Empowerment is measured in terms of the Revised Codes published by the Department of Trade and Industry and is audited by Empowerdex, a leading independent BEE certification agency.

HCI is delighted to have further improved its score this year and has been rated as a Level Two contributor, up from Level Three in FY2016. The group performed particularly strongly in the fields of Ownership and Socio Economic Development, and improved its scores for Skills Development and Enterprise and Supplier Development.

Empowerdex publishes an annual survey of BEE performance for listed companies in South Africa. In 2016, HCI was ranked 5 out of the top 100 Most Empowered Companies listed on the JSE. Our subsidiary companies, Tsogo Sun and Niveus were ranked 3 and 4 respectively and Deneb was ranked 9. HCI and its subsidiaries therefore comprised 3 of the top 5 Most Empowered listed companies and 4 of the top 10. Results for 2017 are not yet available but HCI is confident that it will, once again, perform as well this year.

Looking back over our 20 year history, HCI can be proud of its evolution as a Black owned company. It is one of the few examples of listed companies that is not only empowered but also reflects broad-based ownership. The approach to Black Economic Empowerment has evolved from HCI's initial focus on ownership, to a strong commitment to Socio Economic Development through the HCI Foundation as well as company-funded undertakings, and, more recently, a fully-fledged programme of support to suppliers and small enterprises.

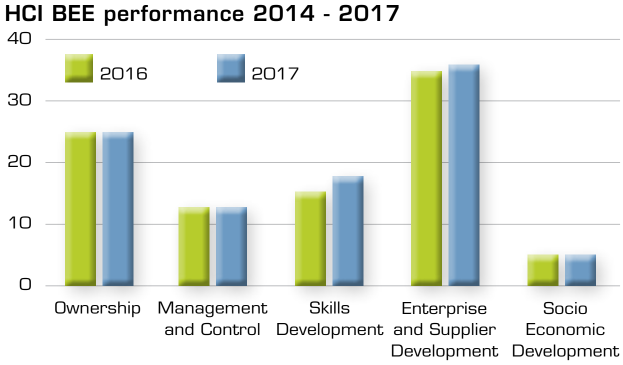
HCI's commitment to Black Economic Empowerment is unwavering and the Group will continue to invest the appropriate resources in this regard.

HCI Supplier Club

HCI operates in many sectors of the economy and our companies work with hundreds of suppliers. Many of these suppliers are small and medium enterprises and many are black owned. These companies are already succeeding in supplying at least one company in the HCI group and would benefit from an opportunity to supply other HCI entities. HCI launched the Supplier Development Club in order to strengthen these suppliers and expose them to opportunities by providing platforms for them to offer their products and services to various HCI companies. The Club provides the following benefits:

- Regular events are held where suppliers associated with one HCI company pitch for work from other HCI companies. Information about suppliers is also provided through newsletters and databases which are made available to procurement staff in HCI companies.
- Supplier Development Days are held where suppliers are given information about the procurement requirements and procedures of various HCI entities
- Club members receive a 20% discount on hotel bookings at Tsogo and on certain products sold by Sharp electronics and Brand ID, both part of the Deneb group
- Where appropriate, Supplier Club members are considered by e.tv and eNCA for inclusion in the Forerunners programme which profiles small businesses on national television
- Where appropriate, Supplier Club members are invited to join the Tsogo Sun Entrepreneur Development Programme
- The Club also organises events for potential suppliers so that HCI can constantly expand the number of small enterprises involved with its work

HCI BEE performance 2014 - 2017



Empowerdex Most Empowered Companies 2016

HCI companies represent 3 of the top 5 empowered companies (Based on 2013 Codes of Good practise)

Company	Ranking
AEEI	1
Oceana Group	2
Tsogo Sun	3
Niveus	4
HCI	5

ENVIRONMENTAL SUSTAINABILITY

HCI seeks to follow international best practice in reporting its impact on the environment. HCI is concerned about the impact of Climate Change and it seeks to reduce its carbon emissions wherever possible.

HCI has, since 2014, reported annually to the Carbon Disclosure Project ("CDP"), reporting on both carbon and water. In reporting on its carbon emissions the company has followed the Greenhouse Gas Protocol ("GHG") published by the World Resources Institute. HCI has also made use of guidance published by the National Business Initiative, CDP's partner in South Africa.

Carbon

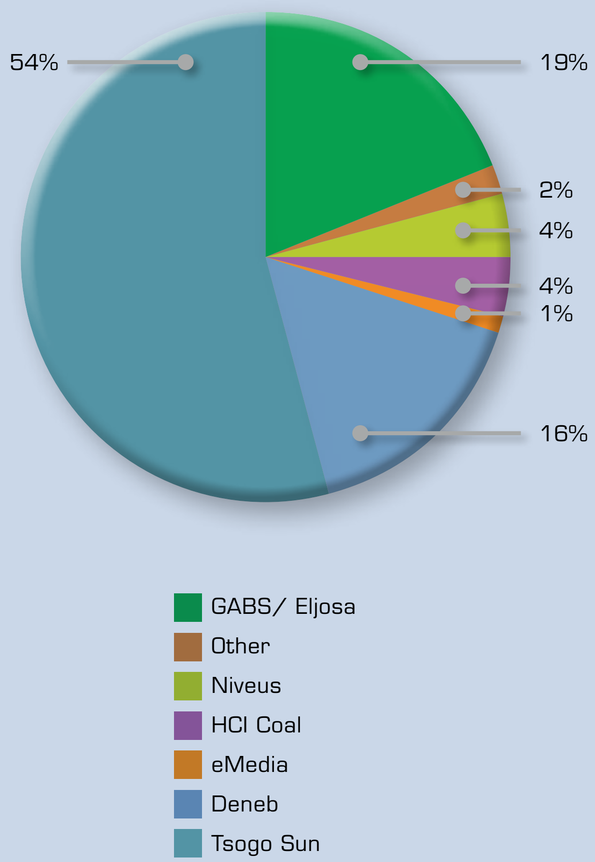
HCI reports on the Scope One and Two emissions of all of its subsidiaries. Scope 1 emissions are direct emissions produced by equipment and production processes owned and controlled by the reporting entity. These are generally derived from the combustion of fuel. Scope 2 emissions are indirectly derived from energy supplied by third parties and principally consist of emissions associated with the use of electricity.

Each year the company restates its baseline to take account of structural changes, such as the disposal or acquisition of businesses. This restatement is calculated in terms of the GHG Protocol.

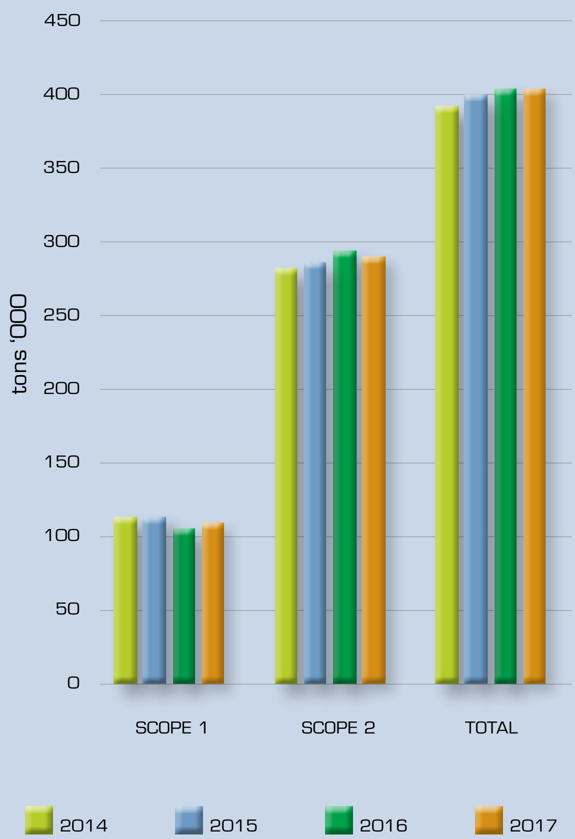
The combined total of HCI's Scope 1 and 2 emissions were very similar to last year (a change of less than 1%) with the increase in Scope 1 being offset by a decrease in Scope 2.

	2014	2015	2016 (restated)	2017
	CO_2e tons			
Scope 1	113 358	114 680	108 114	112 533
Scope 2	284 667	291 499	301 870	295 354
Total	**398 025**	**406 179**	**409 985**	**407 887**

Contribution to total 2017 HCI emissions by company



HCI total carbon emissions 2014 - 2017
(CO_2e tons)



Scope 1

Golden Arrow Bus Services ("GABS") and Deneb Investments ("Deneb") are the major producers of Scope 1 carbon emissions in the Group.

GABS produces 62% of the Group's total Scope One emissions due to the use of diesel to fuel the buses. However, it must be noted that in the absence of the public transport provided by GABS, greater emissions would be generated if commuters were forced to use private transport. This year, Scope 1 emissions from GABS increased by 6% due to an equivalent increase in distance covered during the period.

Deneb is responsible for 27% of the Group's Scope 1 emissions due to the use of boilers in the manufacturing environment, especially in the textile production. Deneb's emissions are largely unchanged year-on-year.

HCI Coal, which is also a significant source of Scope 1 emissions, produced higher Scope 1 emissions due to ongoing power supply problems at the Palesa Colliery and the consequent use of diesel generators. This was largely offset by lower Scope 2 emissions.

Scope 2

Tsogo Sun Holdings ("Tsogo") and Deneb are the main contributors to the Group's Scope 2 emissions. Tsogo produces 73% of the Group's Scope 2 emissions and Deneb 12%.

Tsogo reduced its Scope 2 emissions by 3% this year due to the implementation of a number of energy saving initiatives. Tsogo has paid consistent attention to electricity saving over the last five years and has achieved pleasing results. Deneb Scope 2 emissions increased by 4% this year associated largely with a change in product mix in the textile environment.

HCI's carbon emissions are to some extent mitigated by its investments in Renewable Energy. HCI is a 10% shareholder in Karoshoek Solar One, a company which is building a 100 MW Concentrated Solar Power plant near Upington, as part of Government's Renewable Energy Independent Power Producer programme. The plant is expected to begin to supply energy in December 2018.

HCI continues to follow regulatory developments with interest and is well prepared for reporting and other regulatory requirements that may become mandatory over the next few years.

Water

South Africa is a water scarce country facing growing demands on its limited water resources. HCI takes its water conservation responsibilities seriously, reporting on both water use as well as water discharge from its various facilities.

The major water users within HCI are Tsogo (comprising 65% of water use by HCI companies), Deneb, HCI Coal and HCI Properties. Total water consumption decreased by 5% over the past year. The decrease in what usage is mainly due to reduced water withdrawal at Tsogo, due to drought-related water restrictions coupled with related water saving efforts. GABS also reduced its water use due to drought related restrictions in the Western Cape and has initiated a reduced bus washing schedule.

A number of HCI companies, especially those located in the Western Cape, are exploring water saving initiatives, and where appropriate, considering rainwater harvesting or the use of boreholes. GABS is currently testing bus washing equipment that would result in significant water savings by recycling and reusing water. Deneb is considering both boreholes and rainwater harvesting at a number of its sites and is exploring new technology which would result in lower water use in the fabric dyeing process. Tsogo has also introduced programmes to effect reduction in water use in the hotels and to re-use water where possible.

Water discharges

Deneb is the only significant source of water discharge in the HCI group. Deneb's water discharges relate mainly to the textile manufacturers (Berg River Textiles, HexTex, Romatex, Frame Knitting and Brits Non-Woven) and Gold Reef Chemicals and releases effluent through dedicated and licensed channels.

Effluent discharge for the Group reduced 6% year-on-year due to a change in product mix as well as the introduction of process changes at Deneb.

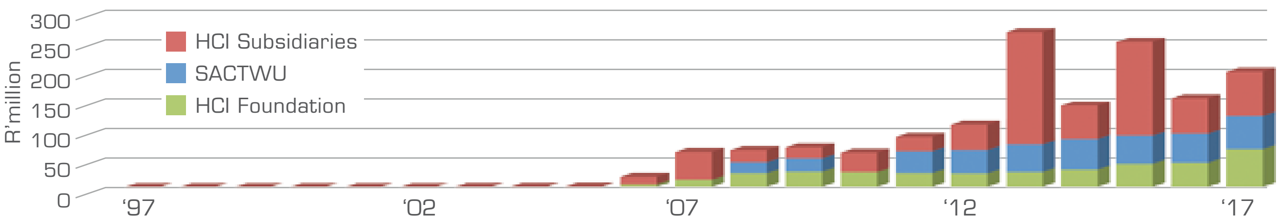
HCI Coal does not discharge effluent but does process the water used for the washing of coal as well as dust suppression. This process is licensed and monitored in line with national legislation.

CORPORATE SOCIAL INVESTMENT
HCI GROUP OF COMPANIES

The projects supported by the HCI Group vary in both in footprint and scale, expressing the diversity of the group itself. Subsidiary companies select their own projects and act independently in terms of their CSI programmes. A number of the programmes are directed by regulatory requirements. Support ranges from financial, to provision of goods and services and to time voluntarily provided by management and staff.

The group invests substantial resources into community development programmes, supporting emerging businesses, education and conservation of our environment as part of the group's sustainability and growth strategy. The success stories of the small businesses, learners and communities who are supported by the HCI Group programmes are evidence of the impact achieved by the group.

CORPORATE SOCIAL INVESTMENT SPEND



* Public Service Announcements ["PSA"] by eMedia Holdings of between 46 and 78 hours a year are not included for 2015 – 2017
** All dividends paid to SACTWU by HCI are used for CSI projects for the benefit of its members

COMMUNITY DEVELOPMENT

Infrastructure

Commitment to education is supported by the substantial infrastructure projects that have been completed in many communities in which the group operates. These projects include the construction and upgrading of classrooms, libraries, science laboratories as well as the upgrading of ablution facilities.

HCI Coal has funded the upgrade of 3.6km of the R568 gravel road leading to the Kghodwana Cultural Village and the Loopspruit Winery

GALAXY BINGO: Upgrading of school facilities and ablution blocks at:

- Bayview Primary School, and Greenville Primary School, Port Elizabeth
- Mamello Senior Secondary School in Virginia, Free State – construction and fitting out of laboratory
- JH Moloto High School, Limpopo – construction of 4 classrooms

HCI COAL: Container library - Rematlhatse Primary School in Hokai

HCI COAL:

- Tetema Primary School, Mpumalanga - construction of library and staff room
- Chief Luthuli Primary School, Mpumalanga – construction of Grade R learning centre

GALAXY BINGO

Construction of Blomvlei library

NIVEUS: Blomvlei library, Western Cape

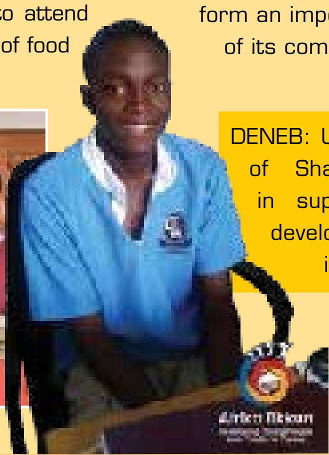
HCI COAL: Ndzundza Fene Traditional Council offices

Education and learning

The group's commitment to education ranges from the provision of school infrastructure to training programmes and support for early childhood development through to senior citizens.

eMEDIA: The Lunchbox Fund fosters education via nutrition by providing a daily meal for orphaned and vulnerable schoolchildren in townships and rural areas to enable them to attend school without the distraction of food scarcity and malnutrition.

TSOGO: school visits to cultural museums form an important part of its commitment to education.



DENEB: University Mathematics Experience – provision of Sharp calculators and other sponsorships in support of Rhodes University's program to develop an interest and excitement for mathematics in scholars.

eMEDIA: Afrika Tikkum – a developmental programme for children offering support from cradle to career to encourage them to be the best they can be.

Sport and Arts

TSOGO: The Tsogo Sun "Moves for Life" programme utilises chess as an inclusive and entertaining activity that can be applied to many different aspects of learning. Its focus is on the three foundation grades and operates in 50 schools around the country, with 19 549 participating learners, 543 educators, and 17 tutors from the local communities.

LEAP students trained by BSG's elite team members

TSOGO: Amandla EduFotball safe hubs - provide safe spaces that combine sports and learning to empower the youth.

eMEDIA: The Dreamfields Project uses the power of football in South Africa to leverage significant investment in soccer facilities and equipment for township and rural schools.

Health and Welfare

Subsidiary companies try to make a difference responding to the needs of some of the poorest and most marginalised members of society in their areas of operation. Developmental initiatives aim to increase sustainability and help restore dignity and independence in vulnerable communities.

NIVEUS: Caring4 Girls project - a sanitary towels distribution programme to keep young girls in school during their monthly cycles has been rolled out at the Vuluhlanga Secondary School in Butterworth, with plans to extend to all Bingo Galaxy sites in Eastern Cape and North West provinces.

eMEDIA: The Santa Shoebox Project is a community initiative whereby gifts are given to underprivileged children; the difference with this project is that the donor knows the name, age and gender of the child for whom the gift is intended.

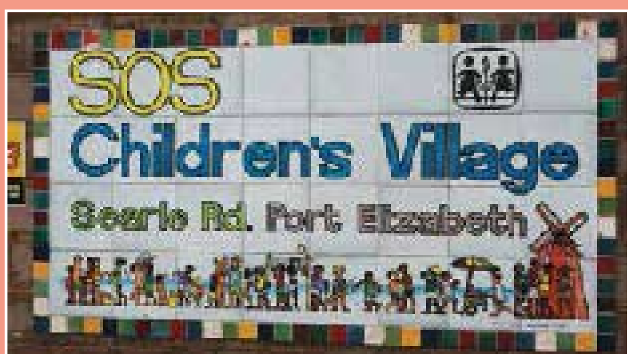
DENEB: Support for Rape Crises Heldeberg and the Jess Foord Foundation, a safe environment which offers support to male victims of rape.

Community Transport

Too often our senior citizens are neglected or left without any mobility options. Golden Arrow has continued to offer sponsored bus services to the Cape Peninsula Organisation for the Aged (CPOA) for more than 25 years. The service runs from Monday to Friday which, as a result, allows for our old age pensioners to socialise in a safe and friendly environment.

Association for the Physically Disabled

Workshops, Xmas parties for the physically disabled; the purchasing of Sewing and Over-locker machines for the AbilityWear Work Centre.



Entrepenuers

DENEB: Mistral Enterprise Development - BBEEE initiative which leases stand-up-paddleboards from the distributors for training purposes.

TSOGO SUN: nearly 200 businesses are enrolled in the Tsogo Sun Entrepreneurs full year development programme, which delivers business foundation skills, coaching and mentorship. As the only programme of its kind in South Africa, 82% of the entrepreneurs developed by Tsogo Sun Entrepreneurs are black South African women.

eMEDIA: aligned with Non Profit Organisations within the broadcast and/or media industry eg. Big Fish, an NPO educating students in filmmaking and storytelling.

eMEDIA: Public Service Announcements programme offers non-profit and non-governmental organisations much-needed exposure for their fundraising and awareness initiatives by providing commercial television airtime, at no fee, to various organisations in various fields to get their messages across.

Environment

As part of our commitment to the upliftment and development of communities through Tsogo Sun Citizenship, local communities are encouraged to adopt a responsible attitude towards the environment. Tsogo Sun partners with Generation Earth and the Miss Earth SA leadership development programme, both of which provide education on environmental issues among young South Africans. Nearly 200 000 school children have been educated on environmental responsibility and the green economy, more than 700 trees have been planted and hundreds of environmental youth ambassadors have travelled to all corners of South Africa, delivering the message for a sustainable future.

Miss Earth SA on the beach

eMEDIA: Conservation of the biodiversity assets of South Africa

Image: WWF Pip Mortlock

HCI COAL: Water conservation: Donation of water tanks and steel stands to six communities and the Ward 31 informal settlement.

INTRODUCTION

The HCI Foundation has been in operation since 2006 as the corporate social investment arm of HCI. Building on the work of the Golden Arrow Foundation and its transport history in the Western Cape, the Foundation has broadened its scope to include national projects focused on education, skills-enrichment and the development of community-based programmes.

Over the last decade, our engagement with communities has been progressively developmental with the aim of:

- increasing sustainability
- supporting partnerships between organisations for impact
- building relationships with the organisations we fund

Increasingly, education at all levels has become the focus of the Foundation's work.

	WHAT	HOW	IMPACT
Education Tertiary level	National profile at Universities and Universities of Technology	• HCIF bursaries • mentoring programmes and workshops with students • alumni network	• improved pass rate • improved graduation rate • improved throughput from start to end of studies
Education School level	Interventions from Early Childhood Development to High School	• programmes for professional advancement of teachers • mentoring programmes for teachers and evaluation of effects • improving learning environments especially at ECD level	• improved classroom practice • improved maths and literacy levels • motivated learners
Youth Development	Arts, science and gender programmes	• development of arts, computer and media skills • building self-esteem	• enabling emergence of new organisations • youth participation in projects • facilitating access to income generation
Environment	Ecological technology and environmental awareness programmes	• improving access to water and irrigation • sustainable agriculture • support for conservation programmes • building skills and eco mindset	• building relationships • developing new practice • benefits to family/community

NATIONAL BURSARY PROGRAMME

National Bursary Programme - 10 year anniversary

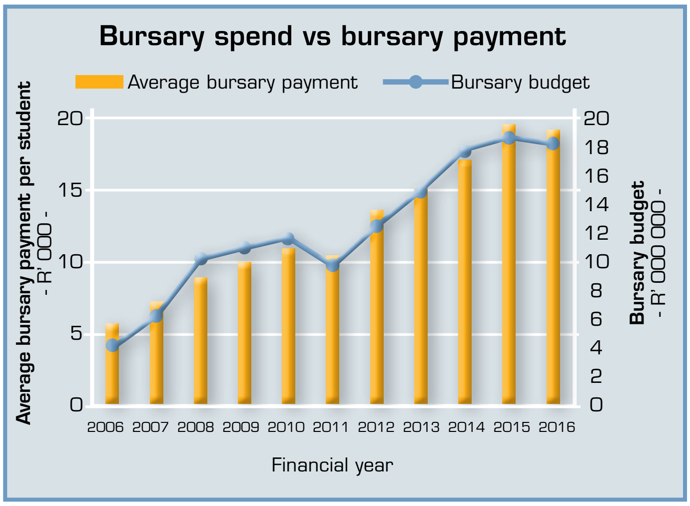
This year, as we celebrate the 10 year anniversary of our National Bursary programme we reflect on the journey we have travelled thus far.

Over the past 10 years, the programme has made significant changes and achieved encouraging results. HCI Foundation funded students have consistently outperformed the national academic performance with annual averages of 93.5% and 23.6% pass and graduation rates respectively.

We have adopted cutting edge technology to be both effective and efficient in the administration and management of the programme and have developed strong connections with bursary recipients as well as robust relationships with tertiary education institutions.

The chart below shows a 368% increase in our budget from R3 882 684 in 2006 to R18 183 079 in 2016 as we continue to champion access to quality tertiary education for youth from disadvantaged communities in South Africa.

During this period, the average bursary payment increased by R242% from R 5 610 in 2006 to R19 200 in 2016; and a total of 10 618 bursaries have been awarded with a spend of R133 907 414.



Highlights

- 23.6% annual average graduation rate as of 2008
- 93.5% annual average pass rate based on available data
- From 2012, growth of our student mentoring programme, with 12 institutions involving 242 student mentors and 84 HCI company managers active today
- Focus on funding 'high risk' first year students from 2013
- 2014 inception of Alumni programme

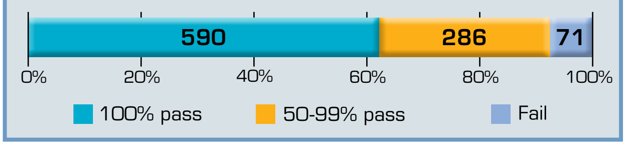
2016 Pass rate

Our bursary recipients are:

- first generation tertiary students
- resilient and determined
- committed to breaking the cycle of poverty through their studies
- believe in giving back to help others succeed

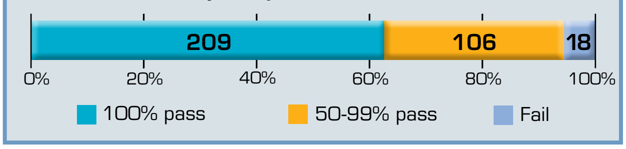
Despite the challenging circumstances of 2015 and 2016 arising from countrywide student protests, our bursary recipients remain committed to academic excellence as their 2016 academic results below show.

Of 947 students funded in 2016: 590 (62.3%) passed 100% of their registered modules and 286 (30.2%) passed at least 50% of their modules. This means 92.5% (876) of the students progressed into the following year of study and only 7.5% (71 students) failed the year outright.



Pass rates for 2016 academic year

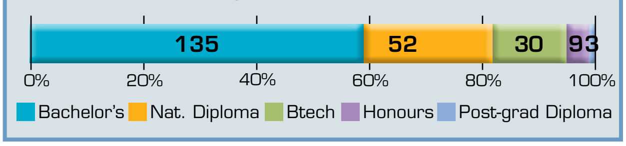
Our foundation and first year students continue to produce excellent results. Of 333 foundation and first year students funded in 2016: 209 (62.8%) passed 100% of their registered modules and 106 (31.8%) passed at least 50% of their modules. This means 94.6% (315) of the students progressed into the following year of study and only 5.4% (18 students) failed the year outright.



First year pass rate in 2016

Graduates

Our 2016 graduation rate is just under 25%. A total of 229 out of 947 funded students in 2016 graduated for the year 2016/2017. Just under 60% of students graduated with Bachelor degrees.



229 graduates in 2016

Student Mentoring and Support

Since 2014, our student support initiatives have focused on students' academic performance and personal development. Our annual institution visits and workshops with bursary recipients across the country are a vital part of our programme. In 2016 we hosted student workshops with the theme 'Celebrating Difference' at institutions in the Western Cape, Eastern Cape, Gauteng, Free State and KwaZulu-Natal. In the Western Cape, members of our mentoring programmes, alumni and HCI Company staff came together for the first time with Zip Zap Circus, one of our beneficiary organisations, at an event to celebrate the positive difference mentoring can make in a young person's life.

An evaluation of the mentoring programme found that students who are mentored:

- adjust better to university life
- are more likely to have a positive first year experience and continue their studies
- often become peer mentors
- believe all first year students should have the opportunity to join a mentoring programme

One of the many letters of thanks that we receive from students is below:

"I am pleased to inform you that I have obtained my degree from the University of Pretoria in Supply Chain Management.

I would like to thank HCI foundation and the HCI family for all the assistance they offered during this time. Although you might be under the impression that it's just financial assistance that is given, I think otherwise. It's great to know that you have people supporting you throughout, that if you have issues you have people to reach out to and that is what HCI foundation has been. Without realising it, through the seminars, the care and quick responses to issues, HCI becomes a pillar of support to students who might not get even that support at home.

I am truly grateful and I will always carry the values that you instilled in us, helping others at all times, reaching out to those who need a hand, and being kind at all times.

I am proud to be an HCI Bursary recipient."

Alumni Programme

Since 2014, our Alumni Programme has provided a networking space for former bursary recipients to stay in touch with each other and the Foundation, as well as to give back to community organisations supported by the Foundation in Khayelitsha, Soweto and Crossroads. The programme also enables us to track and monitor the performance of graduates beyond their university career, with a special focus on their absorption into the labour market.

CELEBRATING 12 YEARS OF COMMUNITY ENGAGEMENT

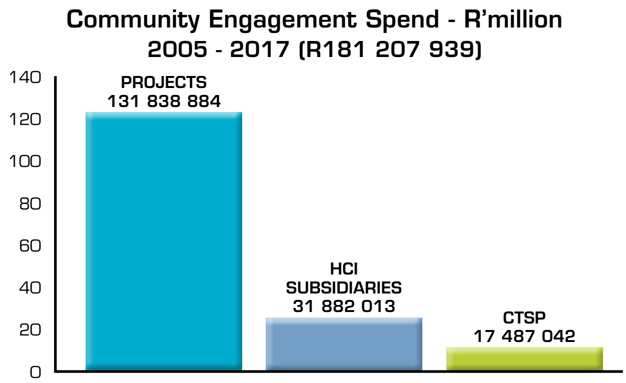
Through the HCI Foundation's Community Engagement Programme, we have forged partnerships with a range of organisations and schools across South Africa. Through these we aim to implement sustainable solutions to the challenges communities face in some of the country's most under-resourced areas.

Community development implies a long-term commitment with engaged and passionate partners. We believe that by encouraging organisations to work in partnership, we leverage skills and resources which help communities become more socially cohesive and sustainable.

The diagram below shows the total Community Engagement spend, per category, between 2005 and 2017. During this period the Foundation has:

- established a national footprint by providing funding for projects in **all** provinces
- placed increased emphasis on development goals and project sustainability
- identified key projects for 3 – 5 year funding cycles
- visited projects regularly
- instituted simple monitoring and evaluation requirements

Funding to HCI subsidiaries has decreased as companies have developed their own CSI programmes in line with core business. An exception is our Community Transport Support Programme in the Western Cape which has increased its budget as the number of participating organisations has tripled.



MAKING CONNECTIONS

Partnership 1 – Growing Future Leaders

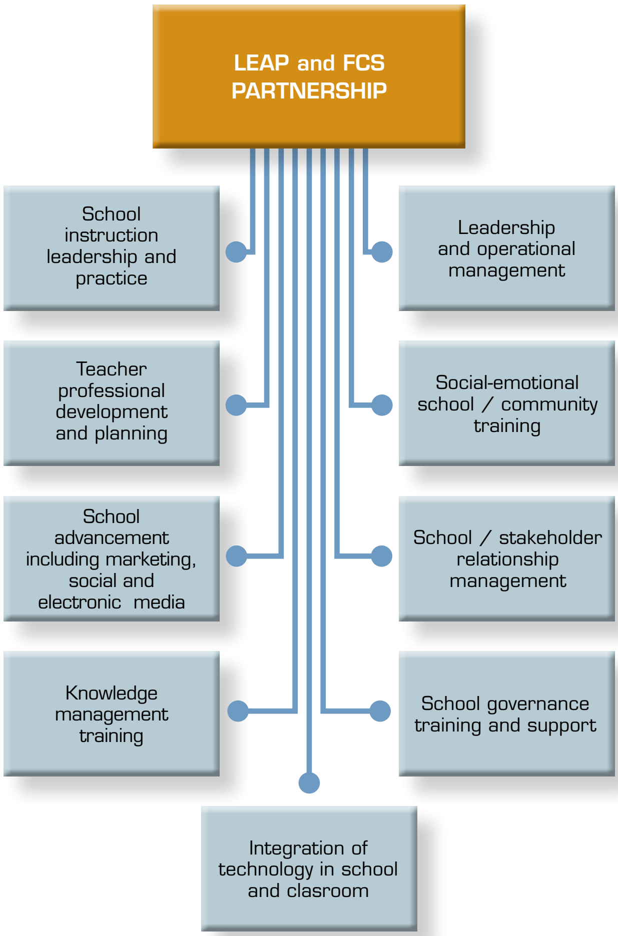
FUTURE COMPREHENSIVE SCHOOL – LEAP SCHOOL: LIMPOPO

Since November 2016, two schools in rural Limpopo have been working together in a school collaboration model with the potential for replication.

LEAP Science and Maths School in Jane Furse, Limpopo, provides free quality education to 148 students in Grades

8 to 12. In 2016 LEAP had a 100% pass-rate for Grade 12, with 79% of these being Bachelor passes. The Future Comprehensive School in Masemola, 52kms from Jane Furse, aims to provide a high standard of education to learners from Grades R to 10.

The vision of both schools and their partners is to ensure that children from rural Limpopo have access to quality education in order to become active agents of change in their communities. Their mutual partnership enables both schools to benefit from their different experiences in the education field.



Partnership 2 – Teacher Support and Development

IKWEZI LEAD TEACHER PROJECT; UCT SCHOOLS DEVELOPMENT UNIT (SDU) ; METROPOLE EAST EDUCATION DEPARTMENT (MEED): WESTERN CAPE

This three year intervention, initiated by the Metro East Education Department (MEED), started in 2014 with the SDU developing the curriculum and providing training to lead teachers at schools in the Metro East District.

The objectives of the programme were to:

- focus on Foundation and Intermediate Phase Languages and Mathematics lead teachers
- increase capacity of teachers
- improve curriculum delivery in selected schools
- strengthen collaboration with MEED in line with the District Improvement Plan

Lead teachers from Grades R – 6 were offered regular classroom mentoring, co-teaching and feedback on lessons. Planning and discussion is underway between stakeholders to integrate project initiatives into School Improvement Plans (SIPs).

Programme Outcomes

- analysis of systemic test results for Grades 3 and 6 used as a platform to engage with successes and challenges in teaching and learning of Language and Mathematics
- six hundred and fifty four certificates were awarded to 346 teachers with some participants receiving certificates for more than one course.
- SDU has been asked to develop South African Council for Educators (SACE) accredited Grade R Early Mathematics programme for the Western Cape Education Department
- 70 Subject Advisors were trained in 2016; a further 3 200 Grade R teachers will be trained in 2017

Partnership 3 – Skills Development

GOODWORK FOUNDATION AND CLOVER MAMA AFRIKA: MPUMALANGA

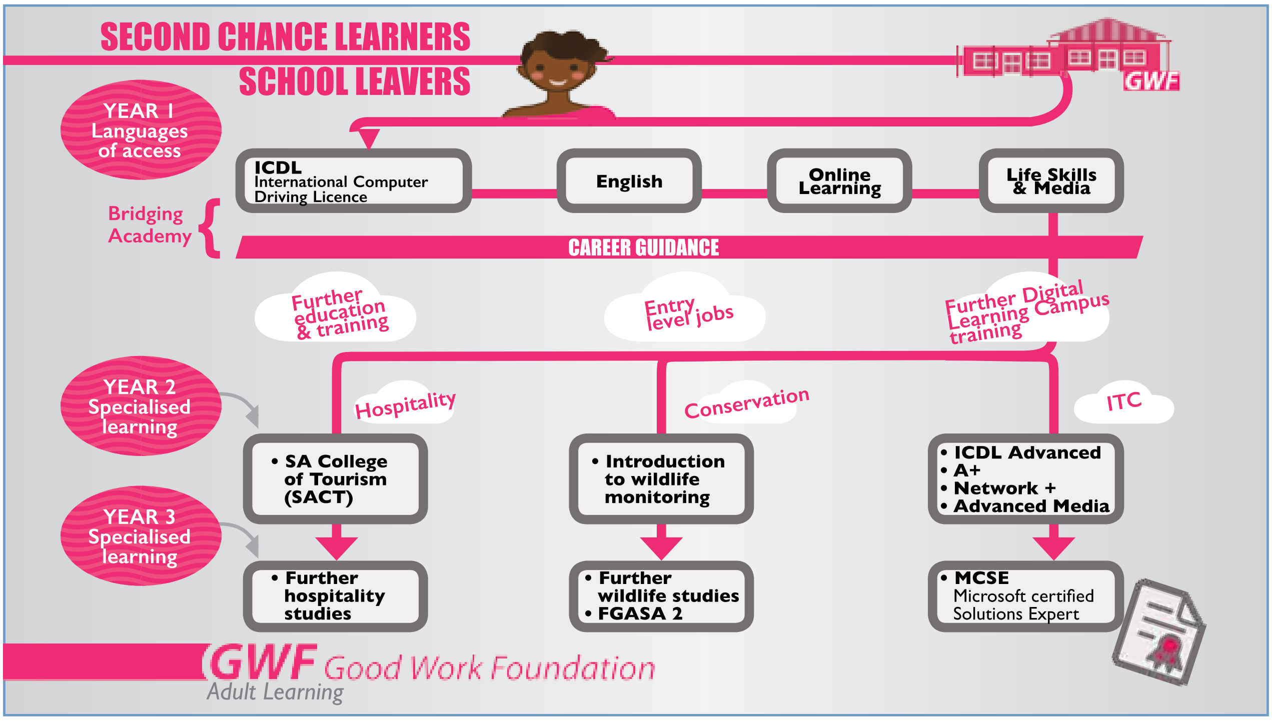
Two organizations supported by the Foundation in Hazyview, Mpumalanga are working together to provide young people living in the area with IT skills and job opportunities.

Good Work Foundation

Since 2012, Good Work Foundation's core mission for its Hazyview Digital Learning Centre (HDLC) has been to open digital learning campuses in the centre of rural and isolated communities to democratise access to learning relevant to a global economy and digital marketplace.

Programme outcomes:

- more than 1200 adults have graduated with internationally recognized ICT qualifications
- 3 100 learners from 8 primary schools have received digital literacy tuition and supplementary English, Mathematics and conservation training through an annual programme
- the first school to attend HDLC has seen an improvement of over 30% in their Mathematics and English results over a number of years



Clover Mama Africa

Mama Sipiwe Solomons is one of 42 'Mamas' supported by Clover Mama Afrika. She runs an HIV-AIDS Home Based Care Programme in Hazyview which trains community members to provide assistance to people living with HIV and AIDS. This includes orphans and vulnerable children for whom education is a priority and a challenge.

After leaving school, some of these young people join a Good Work Foundation 12 month programme at The Bridging Academy, to equip them with digital marketplace skills. On graduation, students can continue to a second year in IT, or move to the Tourism and Travel Academy. Both programmes have a high job absorption rate and graduates from the IT Academy also have the possibility of work at the Call Centre operated by T-Systems South Africa (TSSA).


Mama Sipiwe

Paris Moeng's Story

Paris Moeng is a young school-leaver who was directed to the Hazyview Digital Learning Centre (HDLC) by Mama Sipiwe. Without having used a computer before, Paris surprised the HDLC team by completing his Bridging Academy year in record time. He then went on to enroll at the IT Career-Training Academy where he completed his CompTIA A+ and network+ training certificates.

As the sole carer of his infirm grandmother, Paris needed to remain in Hazyview once he qualified. He now works from the campus where he studied as a TSSA IT Support Engineer, and he provides technical support to three major South African companies.


Paris Moeng

Partnership 4 – Sustainable Communities

THANDA – AQUALIMA TRUST: KWAZULU-NATAL

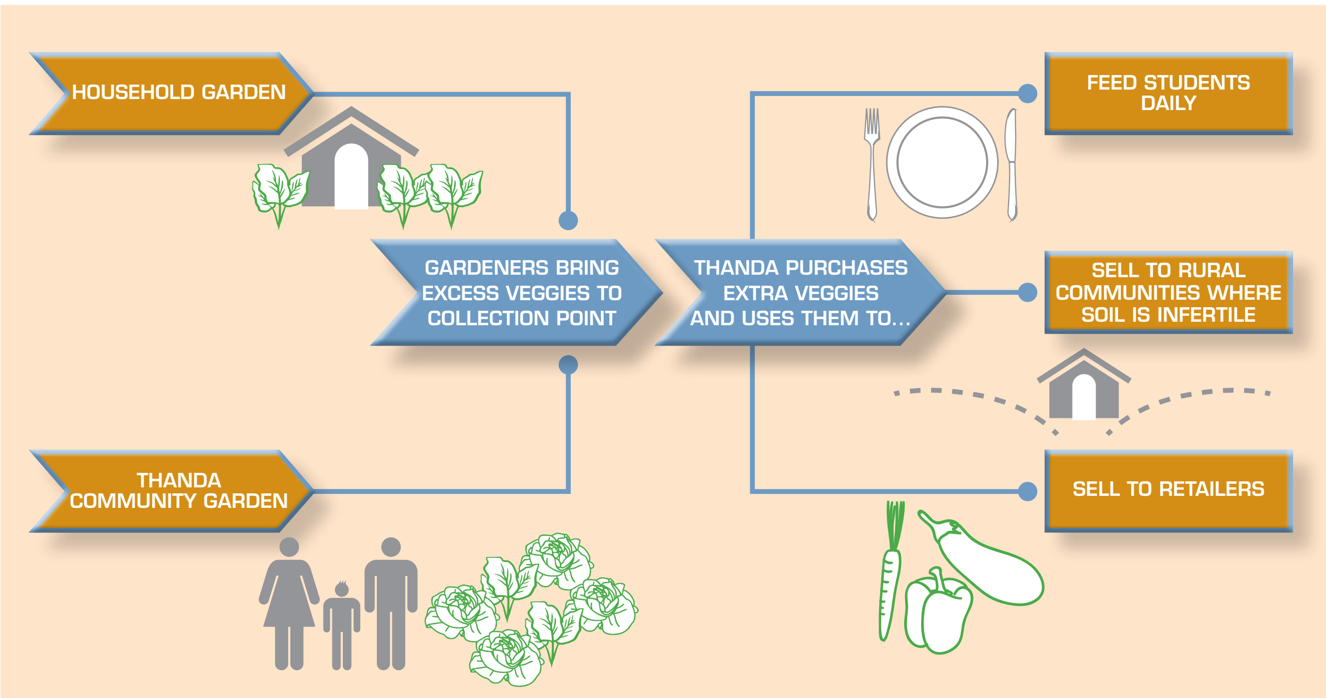
Thanda

Thanda aims to equip people with the knowledge, skills, and confidence to make positive contributions to their communities through three key interventions:

- early childhood development programme to give children a fair start in life
- after-school programme to build strong educational foundations and develop essential life skills
- organic farming programme to improve food security, increase resilience and give farmers the opportunity of building sustainable livelihoods

Under the Thanda Agricultural model, farmers and their families benefit from a guaranteed market to sell their produce, some of which Thanda buys and then uses to feed the children in its After-School Programme.

THANDA AGRICULTURAL MODEL



Aqualima Trust

The principal objective of Aqualima is to reduce poverty and support economic development by assisting communities and farmers to develop themselves through training programmes on:

- the use of agro-ecological technologies
- embracing sustainable solutions for water and energy needs

During their 5 year collaboration, Thanda and Aqualima have equipped all of Thanda's fourteen communal small-scale farms with efficient irrigation systems and have trained their mentors and farmers on how to use and maintain them. Through the establishment of a secure water source, Thanda's farmers have been able to scale their production of fresh, healthy food for the benefit of their families and the Thanda After-School programme.

Organic Farming

Partnership 5 – Access to Resources

COMMUNITY TRANSPORT SUPPORT PROGRAMME: GOLDEN ARROW BUS SERVICES AND HCI FOUNDATION: WESTERN CAPE

Community organisations, Golden Arrow Bus Services and HCI Foundation partner in this Western Cape programme which transports children and young people to take part in a wide range of educational and capacity building programmes.

When HCI Foundation took over the programme known as the 'Grassroots Adventure Bus' in 2005 it was in its 31st year of existence and was working with 7 projects.

In recent years, as the programme has grown in numbers and scope, participating organisations have been brought together at an annual event to give them the opportunity to showcase, share and celebrate their work and forge partnerships. At the 2017 event 34 organisations were represented.

Community Transport Support Programme: REACH

2016/2017

Spend	Organisations	No. of buses	No. of children
R2 787 870	34	1393	111 440

2005/2017

Spend	Organisations	Approximate No. of buses	Approximate No.of children
R17 487 042	Grew from 14 - 34	11 658	932 640

And finally, our Foundation is unique because:

- it has its own capital base
- SACTWU (Southern African Clothing and Textile Workers' Union) is a major shareholder of HCI and the Foundation is closely aligned with the Union's social programmes
- it focuses on Education and Youth Development through bursaries, skills development and the arts, and emphasizes the critical significance of building relationships with recipients and facilitating networks between funded organisations
- it looks for innovative ways to extend impact and reach and track the value for beneficiaries

DIRECTORS' REPORT

for the twelve months ended 31 March 2017

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

Refer to pages 14 to 35 for an overview of operations for the year under review.

3. Dividends

Ordinary dividend number 54, in the amount of forty five cents per share, was paid to shareholders on 14 December 2015. Ordinary dividend number 55, in the amount of one hundred and seventy cents per share, was paid to shareholders on 26th June 2017.

4. Share capital

The issued share capital of the Company is 92 814 648 ordinary shares (2016: 105 198 669) of 25 cents each. 12 384 021 shares acquired by subsidiary companies through the share Buy-back program were cancelled during the year.

5. Directorate

The directors of the company appear on the inside back cover. Ms NMP Mhlangu was appointed as a director of the company on 23 March 2017.

6. Company secretary

The secretary of the company for the twelve months ended 31 March 2017 is HCI Managerial Proprietary Limited. The secretary has an arms-length relationship with the board of directors. The name, business and postal address of the Company Secretary are set out on the inside back cover.

7. Auditors

Grant Thornton Johannesburg Partnership will continue in office in accordance with section 90 of the South African Companies Act, with Mr Ben Frey as the designated auditor.

8. Significant shareholders

The company's shareholders that own more than 5% of the issued shares are Southern African Clothing and Textile Workers Union and Ronaldgate Proprietary Limited who own 32,8% and 6,0% respectively. No shareholder has a controlling interest in the company.

9. Special resolutions

The following special resolutions were passed by the Company's shareholders at the annual general meeting of shareholders held on 1 November 2016:

- Approval of the fees payable to non-executive directors for their services as directors or as members of the board sub-committees in respect of the financial period 1 November 2015 until the next annual general meeting of the Company.
- Granting the company and the subsidiaries of the company a general authority contemplated in terms of the JSE Listing Requirements 5.72, 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 subsequent to year-end on 31 May 2016:

- Approval for the repurchase by the Company (or its Nominee), by way of a specific authority, in accordance with the applicable provisions of the Companies Act, the Listings Requirements and its Memorandum of Incorporation, to acquire 2 688 000 HCI Shares currently owned by the HCI Foundation, for a consideration of R140.00 per HCI Share, and an aggregate consideration of R376 320 000. If HCI repurchases the Buy-back Shares and does not nominate one or more Nominees to purchase such shares, then such repurchased HCI Shares acquired from the HCI Foundation shall be cancelled, delisted and restored to the authorised, but unissued, share capital of the Company on or as soon as possible after the effective date of the Buy-back Transaction.

10. Special resolutions of subsidiaries

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

11. Auditor's report

The consolidated annual financial statements have been audited by Grant Thornton Johannesburg Partnership and their unqualified audit report on the comprehensive annual financial statements are available for inspection at the registered office of the company. These summarised financial statements are extracted from audited information, but is not itself audited.

12. 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 2017, are set out in the remuneration report on page 53.

13. Directors' emoluments

Directors' emoluments incurred by the company and its subsidiaries for the year ended 31 March 2017 are set out in the remuneration report on page 54 and in note 43 in the annual financial statements.

14. 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.

15. 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.

16. 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.

17. 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 2017.

18. Events subsequent to reporting date

Subsequent to the reporting date the following significant events have occurred:

Repurchase of 2.7 million shares of the company

The company entered into an agreement during March 2017 in respect of the specific repurchase of its shares from the HCI Foundation. The conditions precedent to this transaction were fulfilled during August 2017. A total number of 2 688 000 shares were repurchased for consideration of R376 million. Refer to the circular posted to shareholders on 2 May 2017 for further information.

Raising of bridge finance and provision of guarantee by the company

HCI Treasury Proprietary Limited, a wholly-owned subsidiary of the group, entered into a bridging loan agreement with a commercial bank in the amount of R300 million during July 2017. The company provided a financial guarantee as security for this facility. The facility is available until December 2018 and will accrue interest at a commercial bank rate.

Sandton Eye and Real Right of Extension

"Shareholders are referred to the announcement released on the Stock Exchange News Service (SENS) of the JSE by Hospitality Property Fund (HPF) on Tuesday, 11 April 2017, wherein shareholders were advised that HPF Properties Proprietary Limited, an indirectly wholly-owned subsidiary of the Tsogo Sun group has, subject to certain conditions precedent, concluded:

- an agreement with Savana Property Proprietary Limited to acquire various sections and exclusive use areas of the Sandton Eye sectional title scheme; and
- an agreement with Sandton Isle Investments Proprietary Limited to acquire an existing Real Right of Extension in the scheme for an aggregate purchase consideration of R302 million."

Acquisition of 29 hotel properties by HPF from Tsogo Sun

Shareholders are referred to the announcement released on SENS by HPF on Monday, 10 July 2017 of the transaction agreements entered into between HPF and Southern Sun Hotels Proprietary Limited, both subsidiaries of the Tsogo Sun group, whereby HPF acquired two Tsogo Sun subsidiaries which in aggregate hold a portfolio of 29 hotel properties for an aggregate purchase consideration of R3.6 billion settled by R1.0 billion in cash and R2.6 billion in shares.

This transaction has received shareholder approval at the HPF general meeting held on 10 July 2017. The impact of this transaction is a transaction with the non-controlling interests of HPF whereby non-controlling interests in HPF have been acquired and as a result, the Tsogo Sun group's effective holding increased from 50.6% to 68.0% with effect from 10 July 2017.

HPF rights issue

Hospitality shareholders were offered a total of 71 428 571 Hospitality shares ("rights offer shares") at an issue price of R14.00 per rights offer share ("rights offer issue price") in the ratio of 21.76820 rights offer shares for every 100 Hospitality shares held on the record date of the rights offer. As a result of 99.2% of the rights offer shares being subscribed for by third parties, the Tsogo Sun group's effective holding decreased from 68.0% to 59.6% with effect from 4 August 2017.

Acquisition of Gameco by Tsogo Sun

The acquisition of all shareholders' interests in Niveus Invest 19 Limited ("Gameco") by Tsogo Sun for a combination of Tsogo Sun Holdings shares and cash. Updated details of the transaction were released by Tsogo Sun on SENS on 16 August 2017 and the transaction remains subject to a number of conditions precedent, inter alia:

- that Gameco shareholders (including Hosken

Consolidated Investments Limited and Niveus Investments Limited) holding not less than 345 000 100 Gameco shares in the aggregate (representing not less than 75% of the shares in Gameco), irrevocably undertake to dispose of their shares to Tsogo Sun in accordance with the terms of the proposed transaction; and

- that the parties obtain any and all necessary statutory and regulatory approvals for the implementation of the proposed transaction (including shareholder approval in terms of the Listings Requirements of the JSE) on such conditions as are acceptable to Niveus and Tsogo Sun, which is expected to be concluded on 30 September 2017 (or such later date as may be agreed upon by the parties in writing)."

Acquisition of New Just Fun by Deneb

Deneb entered into a sale of share and claims agreement with Main Street Holdings (Proprietary) Limited to acquire 100% of the shares in New Just Fun (Proprietary) Limited for a purchase consideration of R40.5 million. The acquisition is subject to certain conditions precedent on or before 30 November 2017. Further information has been published by Deneb on SENS on 13 July 2017.

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 2017 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 74 to 82 and the annual financial statements for the year ended 31 March 2017, 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 directors take full responsibility for the preparation of the abridged report and that the financial information has been correctly extracted from the underlying annual financial statements.

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 Johannesburg Partnership, 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 2017, which are available on the company website, were approved by the board of directors on 30 August 2017 and are signed on its behalf by:

VE Mphande	JA Copelyn	TG Govender
Chairman	Chief Executive Officer	Financial Director

30 August 2017
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 2017, 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
Company secretary

HCI Managerial Services Proprietary Limited

30 August 2017, Cape Town

SUMMARISED AUDITED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 March 2017 R'000	31 March 2016* R'000
ASSETS		
Non-current assets	61 845 515	55 612 739
Property, plant and equipment	25 127 835	24 371 720
Investment properties	8 510 174	3 021 423
Goodwill	4 785 158	4 999 002
Interest in associates and joint ventures	1 454 782	1 453 268
Other financial assets	1 275 663	666 581
Intangibles	19 605 686	19 981 572
Deferred taxation	379 252	449 789
Operating lease equalisation asset	80 393	88 275
Long-term receivables	626 572	581 109
Current assets	8 563 616	8 850 081
Inventories	955 733	2 010 102
Programme rights	866 244	490 973
Other financial assets	38 333	87 056
Trade and other receivables	2 541 697	2 570 221
Taxation	101 431	152 071
Bank balances and deposits	4 060 178	3 539 658
Disposal group assets held for sale	126 632	147 298
Total assets	70 535 763	64 610 118
EQUITY AND LIABILITIES		
Equity	36 119 875	32 928 450
Equity attributable to equity holders of the parent	15 755 603	16 539 747
Non-controlling interest	20 364 272	16 388 703
Non current liabilities	22 868 060	21 483 182
Deferred taxation	8 081 558	8 135 931
Long-term borrowings	13 999 138	12 098 381
Operating lease equalisation liability	254 740	280 497
Other	532 624	968 373
Current liabilities	11 543 748	10 181 883
Trade and other payables	3 210 411	2 966 211
Current portion of borrowings	5 194 588	3 247 985
Taxation	124 115	155 846
Bank overdrafts	2 396 036	3 058 696
Other	618 598	753 145
Disposal group liabilities held for sale	4 080	16 603
Total equity and liabilities	70 535 763	64 610 118
Net asset carrying value per share (cents)	17 897	15 887

*Restated

SUMMARISED AUDITED FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT

	% change	**31 March 2017 R'000**	31 March 2016* R'000
Revenue		**14 829 657**	13 018 211
Net gaming win		**8 805 745**	8 523 426
Income	9,7%	**23 635 402**	21 541 637
Expenses		**(17 051 612)**	(15 792 721)
EBITDA	14,5%	**6 583 790**	5 748 916
Depreciation and amortisation		**(1 411 497)**	(1 352 670)
Operating profit		**5 172 293**	4 396 246
Investment income		**268 375**	195 209
Finance costs		**(1 623 439)**	(1 354 183)
Share of (losses) / profits of associates and joint ventures		**(74 752)**	31 459
Gain on bargain purchase		**81 764**	4 630
Investment surplus		**88 663**	(6 781)
Fair value adjustment on associate on change of control		**-**	(1 094)
Fair value adjustments of investment properties		**941 655**	149 791
Asset impairments		**(25 134)**	(147 781)
Fair value adjustments of financial instruments		**-**	4 560
Impairment of goodwill and investments		**(33 159)**	(18 176)
Profit before taxation	47,4%	**4 796 266**	3 253 880
Taxation		**(1 074 406)**	(1 124 924)
Profit for the year from continuing operations		**3 721 860**	2 128 956
Discontinued operations		**(447 383)**	(6 984)
Profit for the year		**3 274 477**	2 121 972
Attributable to:			
Equity holders of the parent		**1 237 909**	1 043 404
Non-controlling interest		**2 036 568**	1 078 568
		3 274 477	2 121 972

**Restated*

RECONCILIATION OF HEADLINE EARNINGS

	% change	31 March 2017 R'000 Gross	31 March 2017 R'000 Net	31 March 2016 R'000 Gross	31 March 2016 R'000 Net
Earnings attributable to equity holders of the parent	18,6%		1 237 909		1 043 404
IFRS 3 gain on bargain purchase		(81 764)	(35 463)	(4 630)	(4 630)
IFRS 3 impairment of goodwill		3 958	1 552	18 176	9 106
IFRS 5 loss on disposal of business assets		503 629	113 178	-	-
IFRS 10 fair value adjustment of remaining investment		-	-	2 811	1 324
IAS 12 change in tax rate		-	-	16 670	11 491
IAS 16 gains on disposal of property		-	-	(3 541)	(2 748)
IAS 16 losses on disposal of plant and equipment		5 660	1 575	3 478	1 966
IAS 16 impairment of plant and equipment		7 655	1 788	25 386	8 937
IAS 21 foreign currency translation reserve recycled		(253 799)	(216 292)	(11 600)	(5 094)
IAS 27 losses from disposal/part disposal of subsidiary		405 186	391 839	6 781	3 532
IAS 28 gain on disposal of associates and joint ventures		-	-	(6 661)	(3 550)
IAS 28 impairment of associates and joint ventures		29 286	11 989	400	92
IAS 28 recycle reserves upon disposal of joint ventures		-	-	(6 856)	(6 856)
IAS 36 impairment of assets		-	-	2 154	769
IAS 38 losses on disposal of intangible assets		-	-	254	101
IAS 38 impairment of intangible assets		8 281	2 639	132 365	56 218
IAS 39 recycle of fair value reserves relating to available for sale financial instruments		(46 250)	(20 060)	-	-
IAS 40 profits on disposal of investment property		(36 339)	(7 973)	-	-
IAS 40 fair value adjustment to investment property		(941 655)	(258 748)	(149 773)	(71 880)
Re-measurements included in equity-accounted earnings of associates and joint ventures		82 992	82 077	2 295	2 295
Headline profit	25,0%		1 306 010		1 044 477
Basic earnings per share (cents)					
Earnings	31,1%		1 312,99		1 001,66
Continuing operations			1 582,96		943,83
Discontinued operations			(269,97)		57,83
Headline earnings	38,1%		1 385,22		1 002,69
Continuing operations			1 346,66		951,60
Discontinued operations			38,56		51,09
Weighted average number of shares in issue ('000)			94 282		104 167
Actual number of share in issue at end of year (net of treasury shares) ('000)			88 034		104 108
Diluted earnings per share (cents)					
Earnings	31,1%		1 298,47		990,42
Continuing operations			1 565,46		933,23
Discontinued operations			(266,99)		57,19
Headline earnings	38,2%		1 369,90		991,44
Continuing operations			1 331,77		940,92
Discontinued operations			38,13		50,52
Weighted average number of shares in issue ('000)			95 336		105 350

SUMMARISED AUDITED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	31 March 2017 R'000	31 March 2016 R'000
Profit for the year	**3 274 477**	2 121 972
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences	**(230 431)**	525 122
Reclassification of foreign currency differences on disposal	**(253 799)**	-
Cash flow hedge reserve	**(92 005)**	116 438
Available for sale financial asset revaluations	**(10 879)**	-
Items that may not be reclassified subsequently to profit or loss		
Actuarial gains on post-employment benefit liability	**580**	34 236
Total comprehensive income	**2 687 943**	2 797 768
Attributable to:		
Equity holders of the parent	**805 310**	1 515 368
Non-controlling interest	**1 882 633**	1 282 400
	2 687 943	2 797 768

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	31 March 2017 R'000	31 March 2016* R'000
Balance at beginning of year	**32 928 450**	30 503 423
Share capital and premium		
Treasury shares released	**18 571**	44 709
Shares repurchased	**(1 727 194)**	(35 767)
Current operations		
Total comprehensive income	**2 687 943**	2 797 768
Equity settled share-based payments	**13 084**	11 689
Acquisition of subsidiaries	**2 914 131**	(1 252)
Disposal of subsidiaries	**(319 422)**	-
Effects of changes in holding	**478 583**	276 905
Dividends	**(874 271)**	(669 025)
Balance at the end of year	**36 119 875**	32 928 450

** Restated*

SUMMARISED AUDITED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CASH FLOWS

	31 March 2017 R'000	31 March 2016 R'000
Cashflows from operating activities	**3 337 138**	3 290 203
Cash generated by operations	**7 275 484**	6 475 861
Net finance costs	**(1 429 302)**	(1 084 040)
Changes in working capital	**(531 924)**	(469 345)
Taxation paid	**(970 155)**	(963 248)
Dividends paid	**(1 006 965)**	(669 025)
Cashflows from investing activities	**(3 202 455)**	(3 297 342)
Business combinations and disposals	**231 101**	27 323
Investments acquired	**(1 592 891)**	(483 599)
Dividends received	**63 387**	64 205
Decrease (increase) in loans and receivables	**359 869**	(326 629)
Intangible assets		
- Additions	**(32 788)**	(56 023)
- Disposals	**-**	855
Investment properties		
- Additions	**(617 768)**	(503 654)
- Disposals	**166 806**	34 271
Property, plant and equipment		
- Additions	**(1 854 710)**	(2 152 413)
- Disposals	**74 539**	98 322
Cashflows from financing activities	**1 060 825**	(235 394)
Ordinary shares issued and treasury shares released	**8 078**	3 680
Ordinary shares repurchased	**(438 070)**	(35 766)
Other liabilities raised	**5 756**	8 677
Government grants received	**-**	16 395
Transactions with non-controlling shareholders	**(930 813)**	(2 483)
Net funding raised (repaid)	**2 415 874**	(225 897)
Increase (decrease) in cash and cash equivalents	**1 195 508**	(242 533)
Cash and cash equivalents		
At the beginning of the year	**520 432**	709 231
Foreign exchange differences	**(42 577)**	53 734
At the end of the year	**1 673 363**	520 432
Bank balances and deposits	**4 060 178**	3 539 658
Bank overdrafts	**(2 396 036)**	(3 058 696)
Cash in disposal groups held for sale	**9 221**	39 470
Cash and cash equivalents	**1 673 363**	520 432

SEGMENTAL ANALYSIS

	31 March 2017		31 March 2016*	
	Revenue	**Net gaming win**	Revenue	Net gaming win
	R'000	**R'000**	R'000	R'000
Media and broadcasting	**2 582 733**	**-**	2 416 156	-
Non-casino gaming	**93 128**	**1 322 610**	77 974	1 162 298
Casino gaming and hotels	**5 655 041**	**7 483 135**	4 921 450	7 361 128
Transport	**1 682 964**	**-**	1 509 919	-
Vehicle component manufacture	**336 031**	**-**	296 575	-
Properties	**469 615**	**-**	262 255	-
Mining	**1 093 957**	**-**	817 497	-
Branded products and manufacturing	**2 914 157**	**-**	2 714 260	-
Other	**2 031**	**-**	2 125	-
Total	**14 829 657**	**8 805 745**	13 018 211	8 523 426

	Profit before tax		EBITDA	
	31 March 2017	31 March 2016*	**31 March 2017**	31 March 2016*
	R'000	R'000	**R'000**	R'000
Media and broadcasting	**272 449**	220 684	**491 154**	435 536
Non-casino gaming	**279 393**	173 065	**441 409**	359 134
Casino gaming and hotels	**3 739 279**	2 499 137	**4 627 148**	4 217 235
Transport	**331 566**	268 286	**447 851**	376 014
Vehicle component manufacture	**3 645**	6 646	**22 200**	25 948
Properties	**265 257**	190 051	**225 234**	147 411
Mining	**142 212**	37 919	**244 452**	114 108
Branded products and manufacturing	**121 015**	95 032	**206 146**	169 925
Other	**(358 550)**	(236 940)	**(121 804)**	(96 395)
Total	**4 796 266**	3 253 880	**6 583 790**	5 748 916

	Headline earnings	
	31 March 2017	31 March 2016
	R'000	R'000
Media and broadcasting	**97 773**	73 280
Non-casino gaming	**108 597**	77 513
Casino gaming and hotels	**898 083**	812 360
Information technology	**4 970**	15 902
Transport	**230 134**	185 952
Vehicle component manufacture	**3 117**	7 132
Beverages	**16 483**	8 671
Properties	**63 094**	45 497
Mining	**105 958**	27 931
Branded products and manufacturing	**37 947**	25 783
Other	**(260 146)**	(235 544)
Total	**1 306 010**	1 044 477

** Restated*

NOTES TO THE SUMMARISED AUDITED FINANCIAL STATEMENTS

The results for the year ended 31 March 2017 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 applied by the group in the preparation of these summarised consolidated financial statements are consistent with those applied by the group in its consolidated financial statements for the year ended 31 March 2016. As required by the JSE Limited Listings Requirements, the group reports headline earnings in accordance with Circular 2/2015: Headline Earnings as issued by the South African Institute of Chartered Accountants.

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

CHANGE IN ACCOUNTING ESTIMATE

Non-casino gaming

The review of the useful life of gaming machines by the group's non-casino gaming operations resulted in an increase in the useful life used for depreciation purposes due to the use of gaming machines for longer than originally expected. The group revised the useful life of gaming machines from six years to seven years effective 1 April 2016. The effect of the change in the useful life of gaming machines on the depreciation expense for the current period is a decrease of R10 million and an expected decrease for future periods of R10 million per annum. Galaxy Bingo's site development costs were previously depreciated over the term of the initial lease but the estimated depreciation period has been amended to include guaranteed renewal options, limited to a 10-year total depreciation term. The effect of the change in the depreciation term for site development costs on the depreciation expense for the current year is a decrease of R8 million and an expected annual decrease for future periods of R7 million.

RESTATEMENT OF PRIOR YEAR RESULTS

The acquisition of a controlling interest in Betcoza on 1 December 2015 qualified as a business combination in terms of IFRS 3: Business Combinations. The results as at 31 March 2016 were determined based on all information available at the acquisition date ("provisional accounting"). The provisional accounting was adjusted in the current year for new information obtained within a time frame of 12 months after the acquisition date. These adjustments to the fair values determined in the provisional purchase price allocation are treated as adjustments to the comparative results as at 31 March 2016.

The comparative results are restated as follows:

Statement of financial position as at 31 March 2016:

- Goodwill decreased by R0.9 million
- Intangible assets increased by R2.9 million
- Deferred tax liability increased by R0.6 million
- Equity attributable to non-controlling interest increased by R1.3 million
- Opening equity attributable to equity holders of the parent in the current year was unaffected.

DISCONTINUED OPERATIONS AND DISPOSAL GROUPS HELD FOR SALE

Beverages

The group disposed of its interest in the business operations of KWV Holdings, included in the beverages segment. The results of these operations are accordingly included in discontinued operations in the current and prior year.

Media and broadcasting and Other

The group's Australian-based subsidiary, HCI Investments Australia, was disposed of during the year and the results of its operations are accordingly included in discontinued operations in the current and prior year.

Information technology

During the current year the group disposed of its information technology operations (Syntell). The results of these operations have been reclassified to discontinued operations in the current and prior year in the income statement.

Media and broadcasting

The board of eMedia Investments resolved to exit certain of its offshore and local non-core operations during the financial year ended 31 March 2015. Further local non-core operations have been reclassified to discontinued operations in the current year and the prior year results restated for these. The results of these operations, which are included in the media and broadcasting segment, are included in discontinued operations in the current and prior year. Assets of R54 million (31 March 2016: R145 million) and liabilities of R2 million (31 March 2016: R17 million) in disposal groups held for sale in the statement of financial position also relate to these non-core operations.

Non-casino gaming

Niveus Investments has contracted to dispose of certain non-core non-casino gaming interests, for which the results have been included in discontinued operations in the income statement in the current and prior year. Assets of R5 million and liabilities of R2 million have been included in disposal groups held for sale in the statement of financial position in the current year.

Casino gaming and hotels

The assets acquired by Tsogo Sun Holdings upon the acquisition of Hospitality Property Fund included properties held for sale and are consequently included in disposal group assets held for sale. The carrying value of these properties totalled R66 million at 31 March 2017.

Branded products and manufacturing

Property, plant and equipment to the value of R2 million is held as disposal group assets held for sale by Deneb Investments.

DISPOSALS

The group disposed of the following businesses during the current

- The operational assets and liabilities of KWV Holdings, effective 1 October 2016, for proceeds of R1 180 million, of which R605 million is payable in the form of promissory notes due in intervals ending 1 October 2019.
- HCI Investments Australia (including Oceania Capital Partners), effective 16 August 2016, for proceeds of R325 million.
- Mars Holdings (including Syntell), effective 15 September 2016, for proceeds of R92 million. Contingent proceeds in the amount of R7 million was received subsequent to disposal, with the timing and amount in respect of further proceeds of a maximum of R12 million not determinable as at the reporting date.
- Power Entertainment, effective 1 July 2016, for proceeds of US$0.6 million and Shibula Lodge and TVPC Media, effective 13 July 2016, for proceeds of R5.4 million.

The following are the assets and liabilities disposed of:

	Rm
Non-current assets	1 375
Current assets	1 990
Non-current liabilities	(133)
Current liabilities	(385)
Net assets disposed of	2 847
Non-controlling interest	(319)
Loss on disposal	(909)
Disposal proceeds	1 619
Disposal proceeds set off against repurchase consideration (HCI Australia)	(325)
Deferred disposal proceeds (KWV)	(605)
Cash balances disposed of	(280)
Net cash received	409

BUSINESS COMBINATIONS

Casino gaming and hotels

Tsogo Sun Holdings acquired control of Hospitality Property Fund ("HPF") effective 1 September 2016. The group initially acquired 55% of the HPF B-linked units (27% of the voting interest) in August 2015. It subsequently acquired a controlling stake through the injection of hotel assets for shares such that the issue of shares to the group resulted in the group owning 50.6% of the shares following the reconstitution of HPF's capital into a single class of shares.

The acquired business contributed incremental revenues of R299 million and profit after tax of R1 086 million to the group for the period from date of control to 31 March 2017, including fair value adjustments to investment property. Had the acquisition occurred on 1 April 2016 group income would have increased by an additional R128 million and profit after tax (including exceptional items recognised during the HPF capital restructure) would have increased by R297 million. The assets and liabilities acquired, for which the final fair values have been determined, are as follows:

	Rm
Investment properties	4 185
Property, plant and equipment	742
Other non-current assets	6
Other current assets	237
Borrowings	(1 725)
Other current liabilities	(221)
Net assets acquired	3 224
Non-controlling interest on acquisition	(1 592)
Purchase consideration in the form of hotel assets	(1 321)
Existing interest at fair value	(298)
Gain on bargain purchase	13

Tsogo Sun Holdings concluded agreements to acquire two hotel businesses, the Garden Court Umhlanga and the StayEasy Pietermaritzburg. The effective date was 1 October 2016. The acquired businesses were previously managed by the group.

The acquired businesses contributed incremental revenues of R52 million and profit after tax of R7 million to the group for the period from acquisition to 31 March 2017. Had the acquisitions occurred on 1 April 2016 group income would have increased by an additional R51 million and profit after tax would have increased by an additional R11 million. The fair value of net assets acquired, for which the purchase price allocation is final, is as follows:

	Rm
Property, plant and equipment	379
Other current assets	4
Other current liabilities	(4)
Net assets acquired	379
Purchase consideration	(310)
Gain on bargain purchase	69

Branded products and manufacturing

Effective 31 May 2016 the group acquired 100% of the shares in Premier Rainwater Goods for a cash consideration of R78 million with a further R10m contingent consideration payable upon achieving future profitability targets. Goodwill of R9 million arose on acquisition, for which the purchase price allocation is final. The acquired business contributed incremental revenues of R91 million and profit after tax of R11 million to the group for the period from date of control to 31 March 2017. Had the acquisition occurred on 1 April 2016 group income would have increased by an additional R25 million and profit after tax would have increased by R2 million.

Media and broadcasting

The group acquired 100% of the shares in Waterfront Film Studios effective 1 July 2016. The purchase consideration was R7.5 million, of which R3.8 million was dependent on further conditions and remains deferred at reporting date. The purchase price allocation is final and goodwill of R3.8 million was recognised upon acquisition.

Transport

The group acquired 76% of the shares in Eljosa Travel and Tours effective 1 October 2016. The purchase consideration was R8.4 million, paid in cash. The purchase price allocation is final and goodwill of R4.8 million and a non-controlling interest of R1.1 million was recognised upon acquisition.

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 2017

NOTICE IS HEREBY GIVEN that the annual general meeting of Hosken Consolidated Investments Limited ("the company") will be held on Wednesday 1 November 2017 at 12:00 at the offices of the company, 5th Floor, 4 Stirling Street, Zonnebloem 7925.

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

General instructions and information

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 15 September 2017 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 20 October 2017. Accordingly, only shareholders who are registered in the register of shareholders of the company on 20 October 2017 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 for administrative purposes.

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 27 October 2017. 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) for administrative purposes.

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.

Voting at annual general meeting

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.

Details of directors, shareholders, share capital and analysis of shareholders, no-change statement and directors' responsibility statement

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 38 and 39;
- the major shareholders of the company on page 36;
- the directors' interests in securities on page 53; and
- the share capital of the company in note 19 and an analysis of shareholders on page 36.

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 2017 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 of annual general meeting

The purpose of the annual general meeting is to transact the business set out in the agenda below.

Agenda

1. Presentation of the audited annual financial statements of the company, including the reports of the directors and the audit committee for the year ended 31 March 2016. The Integrated Annual Report, of which this notice forms part, contains the summarised group financial statements and the aforementioned reports. The annual financial statements, including the unmodified audit opinion, are available on HCI's website at www.hci.co.za, or may be requested and obtained in person, at no charge, at the registered office of HCI during office hours.

2. To consider and, if deemed fit, approve, with or without modification, the ordinary and special resolutions set out below.

- For ordinary resolutions numbers 1 to 4 (inclusive), more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof.
- For ordinary resolution number 5 and for special resolutions numbers 1 and 2 to be adopted, at least 75% of the voting rights exercised on each such ordinary or special resolution must be exercised in favour thereof.
- Ordinary resolution number 6 is an advisory endorsement and is non-binding on the company.

3. Appointment of directors – ordinary resolution numbers 1.1, 1.2, 1.3

Mr J.A.Copelyn, Mr V.E.Mphande and Ms R.D.Watson retire as directors in accordance with the company's MOI but, being eligible, each offer themselves for re-election as a director of the company. For CV details, see pages 38 and 39.

Accordingly, shareholders are requested to consider and if deemed fit, to re-elect Mr J.A.Copelyn, Mr V.E.Mphande and Ms R.D.Watson by way of passing the ordinary resolutions set out below:

1.1 Mr J.A.Copelyn – ordinary resolution number 1.1 "Resolved that Mr J.A.Copelyn be and is hereby elected as a director of the company."

1.2 Mr V.E.Mphande – ordinary resolution number 1.2 "Resolved that Mr V.E.Mphande be and is hereby elected as a director of the company."

1.3 Ms R.D.Watson – ordinary resolution number 1.3 "Resolved that Ms R.D.Watson be and is hereby elected as a director of the company."

The reason for ordinary resolution numbers 1.1 to 1.3 is to re-elect those directors of the company who retire as directors in accordance with the company's MOI.

1.4 Appointment of director – ordinary resolution number 1.4 "Resolved that Ms M Mhlangu be and is hereby elected as a director of the company."

"Resolved that Ms NMP Mlhangu be and is hereby elected as a director of the company."

The reason for ordinary resolution number 1.4 is to elect the directors of the company who were appointed during the course of the year and who retires as a director in accordance with the Companies Act of 2008, as amended.

4. Reappointment of auditor – ordinary resolution number 2

The company's audit committee has recommended that Grant Thornton Johannesburg Partnership 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 2018 is Mr Frey. Accordingly, the directors propose that the following resolution be adopted:

"Resolved that Grant Thornton Partnership Johannesburg is hereby appointed as the auditor to the company for the ensuing year."

The reason for ordinary resolution number 2 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.

5. Appointment of audit committee – ordinary resolution numbers 3.1, 3.2, 3.3

3.1 Appointment of audit committee – ordinary resolution number 3.1 "Resolution that Mr MSI Gani (see CV details on page 39) be appointed to the audit committee of the company for the ensuing year."

3.2 Appointment of audit committee – ordinary resolution number 3.2 "Resolved that Dr LM Molefi (see CV details on page 39) be appointed to the audit committee of the company for the ensuing year."

3.3 Appointment of audit committee – ordinary resolution number 3.3 "Resolution that Mr JG Ngcobo (see CV details on page 39) be appointed to the audit committee of the company for the ensuing year."

The reason for ordinary resolution numbers 3.1 to 3.3 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.

6. General authority over unissued shares – ordinary resolution number 4

"Resolved that 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, as presently constituted and which may be amended from time to time, and provided that such authority may not, in the aggregate, in any 1 (one) financial year, exceed 5% (five percent) being 4 440 732 ordinary shares of the number of shares of the relevant class of shares in issue (excluding treasury shares) until the next annual general meeting."

In terms of the Company's MOI, read with the JSE Listings Requirements, the shareholders of the Company may authorise the directors to, inter alia, issue any unissued ordinary shares and/or grant options over them, as the directors in their discretion think fit. The authority will be subject to the provisions of the Companies Act and the JSE Listings Requirements.

The directors have decided to seek annual renewal of this authority in accordance with best practice. The directors have no current plans to make use of this authority (other than in terms of the HCI Employee Share Scheme Scheme), but wish to ensure, by having it in place, that the Company has some flexibility to take advantage of any business opportunity that may arise in the future.

7. General authority to issue shares, options and convertible securities for cash – ordinary resolution number 5

"Resolved that, subject to the JSE Limited (JSE) Listings Requirements (JSE Listing Requirements), the Directors be and are hereby authorised to issue ordinary shares in the authorised but unissued shares of the Company (or to issue options or convertible securities convertible into ordinary shares) for cash to such person or persons on such terms and conditions as they may deem fit, subject to the following:

5.1 the securities shall be of a class already in issue, or convertible into a class already in issue;

5.2 the securities shall be issued to public shareholders (as defined in the JSE Listings Requirements) and not to related parties (as defined in the JSE Listings Requirements);

5.3 the issues of securities in the aggregate under the authority of this resolution during the period in 5.5 below shall not exceed 5% of the number of securities of that class already in issue as at the date of this notice of Annual General Meeting, being 4 440 732 ordinary shares, determined in accordance with the relevant provisions of the JSE Listings Requirements, provided that:

5.3.1 any equity securities issued under the authority during the period contemplated in 5.5 below must be deducted from such number in 5.3 above; and

5.3.2 in the event of a sub-division or consolidation of the issued equity securities during the period contemplated in 5.5 below, the existing authority must be adjusted accordingly to represent the same allocation ratio;

5.4 the maximum discount at which the shares may be issued shall be 10% of the weighted average traded price of the shares of the Company measured over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the shares (or, if no shares of the Company have been traded in that period, subject to a ruling by the JSE);

5.5 the authority hereby granted will be valid until the Company's next annual general meeting, provided that it will not extend beyond 15 months from the date on which this resolution is passed; and

5.6 once shares representing, on a cumulative basis within the period contemplated in 5.5 above, 5% or more of the Company's issued ordinary and/or preference shares prior to that issue, have been issued, the Company shall publish an announcement in accordance with the JSE Listings Requirements."

8. Advisory endorsement of remuneration report for the year ended 31 March 2017 – non-binding resolution number 6

"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.

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

"To approve for the period 1 November 2017 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"

Type of fee (R)	Current Fee R'000	Proposed Fee (excl VAT) R'000
Board member	270,5	290,8
Member of the audit committee	111,4	119,8
Member of the remuneration committee	71.0	76,3
Member of the social and ethics committee	81,6	87,7

Directors can earn up to a maximum of 50% of their board fees by serving on the committees responsible to the board of directors.

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.

10. 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 thereof have been submitted to the JSE in writing prior to commencement of the prohibited period;
- 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

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.

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

By order of the Board

30 August 2017
Cape Town

CORPORATE ADMINISTRATION

DIRECTORS:

Executive Directors

John Anthony Copelyn
(Chief Executive Officer)

Theventheran Govindsamy Govender [Kevin]
(Financial Director)

Yunis Shaik

Non-Executive Director

Ngiphiwe Mpumelelo Mhlangu

Independent Non-Executive Directors

Mahomed Salim Ismail Gani

Mimi Freddie Magugu

Lynette Moretlo Molefi

Velaphi Elias Mphande (Chairman)

Jabulani Geffrey Ngcobo

Rachel Doreen Watson

WEBSITE ADDRESS:
www.hci.co.za

COMPANY REGISTRATION NUMBER
1973/007111/06

SHARE CODE
HCI ISIN: ZAE000003257

COMPANY SECRETARY:
HCI Managerial Services Proprietary Limited

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BANKERS:
First National Bank of Southern Africa Limited

TRANSFER SECRETARIES:
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