HCI

Hosken Consolidated Investments Limited

INTEGRATED ANNUAL REPORT

2018

CONTENTS

ABOUT THIS REPORT

Reporting approach

We are pleased to present our integrated annual report to our stakeholders for the year ending 31 March 2018. 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 and the JSE Listings Requirements.

The group is continuously improving its combined assurance model. Assurance for elements of this report has been provided through a combination of external and internal sources.

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 page 3 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 10 and 11 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; www.hplr.co.za and www.emediaholdings.co.za. The report covers the period from 1 April 2017 to 31 March 2018 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 64 to 72.

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 24 May 2018. 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 25 July 2018. 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.

OPERATING STRUCTURE

AS AT 25 JULY 2018

LISTED COMPANIES

- TSOGO SUN 47%
- HPL&R Hosken Passenger Logistics & Rail 74%
- eMedia Holdings 63%
- DENEB INVESTMENTS LIMITED 84%
- NIVEUS 52%
- PLATINUM GROUP METALS 15%

UNLISTED COMPANIES

- HCI Coal 100%
- HCI Properties 100%
- Impact Oil & Gas 49%
- KAROSHOEK 10%
- bsg 40%

LETTER TO SHAREHOLDERS

JA Copelyn
Chief Executive Officer

Reflection on HCI investment Strategy

Many businesses in HCI have substantial political risk in that they are both heavily regulated and are protected by licences or contracts with the state. The background of the directors of HCI and its major shareholder, SACTWU, has, in general, made us more prone to take on such businesses than others might do.

There are advantages and disadvantages to such risks. On the plus side many of these opportunities can be lucrative, if managed well, and often they are at least partially protected from competition by the nature of the licences they hold.

On the other hand, there are moments in the turbulent unfolding of South African politics that render such businesses more vulnerable than average to machinations within the state.

South Africa has been through an unbearably disappointing period, politically, for the last few years and we are not out of it yet.

Nevertheless, we have survived the worst of it, and we have the chance to start digging ourselves out of this mess. We are greatly encouraged by the positive turn our country has taken since December 2017 and have a fair degree of confidence we will get back to growing, if we all carry on working hard to get there. The key is the determination to get back on track.

That said, financial 2018 was a difficult year for HCI and there is much to do in order to get back into the shape in which we want to be.

Tsogo Sun Holdings

Hotels suffered significantly as a result of the drought in the Western Cape. This was mismanaged to a point where the primary news about South Africa was the fact that Cape Town was contemplating switching off taps and requiring its 4 million inhabitants to draw drinking water from two hundred points around the city.

It remains the case that no significant steps have yet been taken to desalinate water, despite the fact that the city's population continues to explode annually, without the creation or even dredging of a single dam, for the last two decades and more. It is unquestionably time to stop whinging about "the drought" and get on with building a major desalination plant.

Apart from endless other negative consequences, one obvious result was that international tourism to the city dried up to a fraction of what it had been the previous year and even local tourism in Cape Town was severely restricted. Our hotel performance reflected this disappointing trend.

We have done as much as possible to get our Cape Town hotels off the grid and to provide our guests with a reliable water solution until the city crisis resolves itself. We have also continued to expand our hotel business, building a new Stay Easy in Maputo which opened this April, leasing two newly built hotels in downtown Cape Town and contracting to operate a new hotel being built in Accra, Ghana which will open in the next few months.

We hope the business will also benefit from the strengthening of our management team with the return of Marcel Von Aulock as CEO of hotels from June 2018.

While no doubt external factors outside of the control of management are sometimes decisive, HCI believes growth is possible in many adverse circumstances and is determined to reinvigorate the performance of Tsogo in the coming years, notwithstanding any difficulties the country may experience.

On the gaming side, the stagnant economy combined with the opening of a new Sun International casino in Menlyn, Pretoria, made for a very flat year, saved only by continued stellar performances of the LPM and Bingo businesses.

While gaming has quite a pill to swallow with the raising of VAT and the threatened smoking ban, we are hopeful that commitments we have made to grow the business will improve its performance in the future.

These commitments include the extension of Sun Coast casino through a R1,5 billion improvement to the precinct and increasing the number of machines on the floor. We anticipate construction will be completed by December.

We are rolling out electronic bingo terminals ("EBTs") as the licences are approved. Amanzimtoti successfully added 90 EBTs to its business recently. An application for such machines to be introduced at the South Coast Mall is in its final stages and applications have been resubmitted under the new legislation for sites at the Pavilion and Gateway shopping centres where we have long held loss making licences to protect the space until EBTs are finally approved.

It goes without saying that there is a sustained barrage of legal objections to electronic bingo by casinos and other (often associated) interested parties who argue they have much to lose as electronic bingo licences are developed (though it seems they are perfectly satisfied with every other form of gambling). Happily, our merger of the gaming businesses of Niveus into Tsogo last year has resolved any conflict within the group and we can steam ahead from here.

We believe that these challenges, which have delayed the roll out of electronic bingo in KwaZulu-Natal, at least, will end in failure in the coming period and we will be free to develop these businesses without endless obstruction.

If the Western Cape region implements its long awaited bill allowing for casinos in the region to be relocated to more lucrative locations, we shall no doubt be a frontrunner in such expansion.

HCI has decided to split Tsogo into three separate businesses in order to both oblige focus and to release, what we perceive to be, an unnecessarily large discount to fair value in its share price. This should see Tsogo trading as three separately listed entities: a property REIT, a focused hotel management company and a similar listed vehicle managing gaming. Hopefully, the coming year will see this decision emerging as a key driver unlocking the potential and growth of each component thereof.

eMedia Holdings

Our media division continued to plough on with its strategy of developing a satellite based multichannel digital platform - OpenView.

While the consequence has been yet another year of poor profitability, we believe the benefits of long term sustainability for our broadcast business in a digital age will be well worth the patience and perseverance. We now have some 1,3m boxes in people's homes, 9% of all television households. Our revenues, while still small, more than doubled last year and we believe this is likely to happen again this year as our share of advertising revenue grows to reflect the market performance of our digital channels.

Likewise, we have improved the quality of the channels offered on the bouquet and no doubt will continue to be able to do so as the platform generates more revenue. We have introduced BBC, Kwezi Sport and intend to produce a new news channel, Open News, as well as introduce a two hour Afrikaans block on e-Extra in the immediate future.

TV channels often hit breakthrough moments where their presence suddenly becomes deeply engraved in the minds of viewers. For CNN it was the Gulf War. For e.tv it was the 2002 World Cup soccer tournament. Breakthrough moments like those, however, are the culmination of painstakingly hard work to build presence and momentum in the public mind. OpenView is unquestionably in that "hard at work" phase and we are hopeful such a breakthrough will come our way sooner rather than later.

Hosken Passenger Logistics and Rail

This year we listed Golden Arrow Bus Services ("GABS") with a view to growing our involvement in the public transport sector. It is early days yet, but we believe the challenges faced by PRASA should create opportunities to develop a public-private partnership to transport passengers efficiently. Protecting rail transport is fundamental to the future of public transport. In Cape Town some 50% of passengers using public transport use the train. Its endless security issues are the central challenge for anyone interested in public transport and we, for one, are putting up our hand to offer help.

GABS has been a star performer in our team for a number of years. Systematic modernisation of the fleet has been followed up by several new improvements. This year our automated ticketing system will be introduced throughout our routes. We continue to operate pilots with WiFi and hope it will soon be possible to offer our passengers free WiFi on all our buses.

Nevertheless, there are some key challenges facing the company in the future. As the price of oil ticks up relentlessly the spectre of having to put bus fares up to match the increase in diesel prices stares us in the face. Likewise, unrealistic wage expectations threaten to disrupt the service. The climate of civil unrest with land grabs, service delivery protests and taxi shootings often seems to culminate in bus stoning and even bus burning. Currently we are experiencing close to one hundred and fifty incidents a month where repairs to buses are necessitated by stone throwing, and a recent protest resulted in three buses being set alight. Worst of all, we have had a driver shot and critically wounded as he returned his bus to the Philipi depot. This is incredibly taxing on all those concerned with the provision of a reliable service to passengers. Guiding the company through these challenges will no doubt take a special blend of courage, care and a steely firmness.

HCI Coal

This is another business that has performed fantastically for the group in recent years as coal prices have drifted upwards.

Like the bus company, it is a business that requires the patience of Job, with civil unrest often threatening its operations. In the last year it has weathered demands for 20% of the company to be "given" to various protest groups; to others demanding that employment be restricted to their area and not a neighbouring area; still others demanding contracts to truck our coal; a new inspector at the DMR issuing a section 54 order to stop production over a long weekend on grounds the operation was, in his opinion, (at 4.30pm on a Friday afternoon) "too dusty". Within minutes, our dust monitors were able to prove the contrary, but needless to say, we were unable to raise the department over the long weekend and were obliged to lose four days production.

We continue to await a decision by Eskom as to whether it intends to award a new contract to the mine for the next period, despite a year going by since it put out the tender and, despite our current contract being virtually at an end. We remain hopeful that sanity will prevail and Eskom will ultimately award the mine such a contract as Eskom digs itself out of a period of embarrassing fraternisation with the Guptas. In the meantime, providing stable employment and attracting competent management, while facing an immediate brick wall which might result in the mine having to close, is more than a science.

Eskom has indicated it will solicit bids for a privately constructed coal fired power station as part of its rounds of soliciting independent power production. Expectations are that this tender will be sought in the second half of this year. It would be a multi-billion rand project. Nevertheless we have, through a partnership, done an enormous amount of preparatory work on it and intend to participate in such tender, offering to use our coal mine at Palesa directly in such a project, if successful.

HCI Properties/ Construction Projects

HCI continues to build several projects beyond Tsogo's extension of Sun Coast.

The construction of the concentrated solar power project in Upington remains on budget and on time, ready for completion after commissioning late this calendar year.

In addition, HCI Properties is building at Kings Road. Sea Point, as well as the Fulcrum on Main Road, Sea Point. It has also commenced work on renovating 111 Commissioner Street in Johannesburg and will shortly commence work on the Steenberg property in Cape Town. We are continuing to build at Monte Circle and will shortly complete the H&M distribution centre at Heartlands. The shopping centre at Hermanus was opened in December 2017.

Lastly, we still await the outcome of a Transnet tender to build and operate fuel storage tanks in the Durban harbour.

Deneb Investments

The underlying base of value in this company is its industrial properties. These have been well managed and well tenanted.

It's distribution arm has strengths and weaknesses and this year its weaknesses outweighed its strengths. Seartec, in particularly, has been sufficiently disappointing for a number of years to warrant exiting the business. While this has a significant effect on this year's results we continue to convert Seartec's assets into cash and will see its losses disappearing from next year.

Likewise, its manufacturing arm was negatively dominated by the closure of Winelands and difficulties in Integrated Polypropylene Products which obliged a management restructure. Businesses like Formex however, are growing dramatically, and we are investing heavily in their expansion. Likewise, Romatex had a solid year.

Our expectation remains that the performance of Deneb will grow significantly as it deals robustly with areas that fail and substitutes them with the expansion of growing areas.

Niveus Investments

The company has now dividended its gaming assets and more recently its shares in Hosken Passenger Logistics and Rail together with cash. As a result Niveus has now disgorged virtually all its assets. A further cash dividend will in all likelihood be distributed in the next few months leaving little other than the heritage assets retained from KWV.

HCI will, in all likelihood, offer to acquire the remaining venture opportunity within it, namely Alphawave. This is a small start-up focused on developing technology capable of tracking golf balls hit on a driving range and suitable for sale or licence to such ranges around the world.

Impact Oil and Gas

Since our interim report we have raised our stake in this business to 49%. We have, in fact, invested about R1bn in the company! Another exploration company, Africa Oil, has recently taken a 25% stake in the company.

As reported in our interims, legislation needs to be passed in SA before any real progress with off-shore drilling commences in earnestness in our South African blocks.

While both President Zuma last year and President Ramaphosa this year, assured all in their SONA addresses that this legislation was being prioritized, progress remains at a snail's pace. It appears however, that the NCOP will finalise its deliberations before the long session of Parliament ends in June. With luck this will allow the Assembly to vote on it and the President to enact the bill by year-end, if all goes well.

The delays however, render it unlikely a well will be drilled in our South African blocks before 2020. Our hopes for our Namibian block, recently farmed out to Total, are that a well might be drilled there in 2019.

IOG is sufficiently funded to meet its obligations, including the drilling of a discovery well in Namibia, if this timetable becomes reality.

As always, we emphasise the speculative nature of oil exploration where typically only one well in five is successful on average. Nevertheless, HCI has taken a big position in this company and we remain of the view that one of the blocks in which IOG has invested might make such a discovery over time.

Platinum Group Metals

Since our last report HCI has taken a US$6m stake in a Canadian mining exploration company that has been prospecting a palladium and platinum resource in the Waterberg.

Platinum mines have struggled terribly over the last several years and platinum prices have sunk to a point where several of these mines appear to be so deeply loss making as to leave little hope for their survival. The commodity price seems likely to remain under pressure as the automotive industry starts to move towards electric cars which do not require catalytic converters.

Nevertheless, the ore body in the Waterberg prospect appears to offer an extremely low cost entry as it is both relatively shallow and is some forty metres thick.

It is hoped that the final feasibility study, which should be completed within twelve months, will result in Impala Platinum investing in the mine and operating it. Should this happen, HCI's entry will have been at a very cost effective price. We have both board representation and a seat at the table of the joint venture project with Impala.

HCI Foundation

The last public contribution by President Zuma was an announcement that the state would provide free tertiary education. He had not seemed to have consulted his cabinet colleagues on the topic and it continues to be an area where there is considerable doubt as to whether this will be implemented as stated.

Given that our Foundation is very focused on offering bursaries, this confusion has created its own dilemmas for us. We have decided to continue allocating bursaries this year to avoid real frustration and disappointment among potential recipients who are no wiser than our Foundation as to whether the state will really pay for their tuition or not.

Over the last few years the Foundation's work with students has expanded greatly. While it started with allocating bursaries we have subsequently been running workshops and motivational days with recipients, as well as one-on-one mentoring. This year the Foundation is collaborating with several of our subsidiaries to offer students, who have graduated through our bursaries, up to 25 internship opportunities. The intention is for our subsidiaries to offer a fairly intense six to nine month programme where the intern is exposed to different sides of managing the business.

Conclusion

HCI has always been a company with more ideas than cash. That is probably a good thing. Johann Rupert once told me that his father had memorably said: "Thank G-d we never had the money to invest in all the things we wanted to".

Nevertheless, finding good new opportunities is the reason why HCI exists and making the best of what we bring home, is our future. It is probably true though, that one needs a solid ratio between the number of new opportunities one works on and the number one can afford to fund, if one wants to be successful.

To my way of thinking though, the key is not to get impatient about the prospects one is trying to secure, particularly if one is depending on decisions of the state, parastatals, regions and cities.

Patience, persistence, good service and hard work remains the way for HCI.

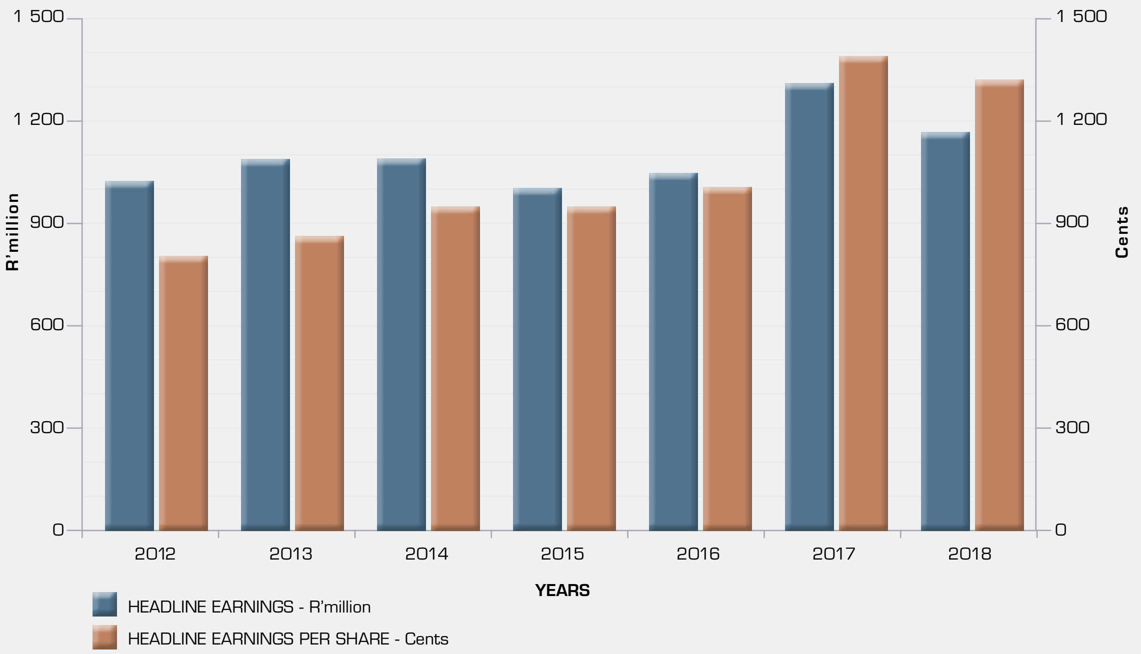
John Copelyn
Chief Executive Officer
Cape Town
25 July 2018

FINANCIAL HIGHLIGHTS

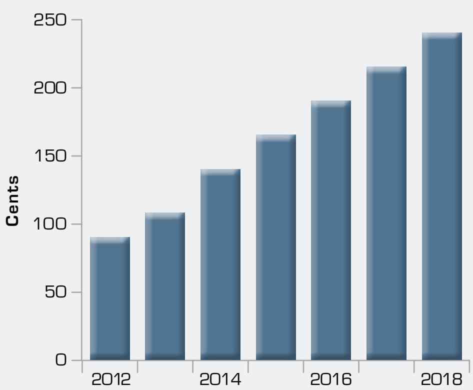
SEVEN YEAR REVIEW

		2012	2013	2014	2015	2016	2017	2018
Shares in issue (net of treasury) - at year end	- million	127 198	123 224	106 176	104 040	104 108	95 336	88 972
Share price - high	- cents	8 744	11 790	15 543	18 068	16 460	15 000	16 299
- low	- cents	7 400	7 912	11 001	12 999	9500	10 450	11 691
- at year end	- cents	8 100	11 253	14 950	14 500	11 202	14 185	14 400
Dividend per share	- cents	90	108	140	165	190	215	240
Net asset carrying value per share	- cents	9 259	10 469	11 391	11 437	15 887	17 897	17 785
Headline earnings	- million	1 020	1 084	1 086	1 000	1 044	1 306	1 164
Headline earnings per share	- cents	802	860	946	946	1003	1385	1 316
Revenue (Including net gaming win)	- million	7 611 673	7 367 054	9 084 334	17 257 150	21 541 637	23 115 780	23 802 264
EBITDA	- million	1 501 907	1 465 041	1 651 746	4 108 378	5 748 916	6 534 810	6 285 627
Profit after tax	- million	1 437 830	1 815 248	1 265 697	4 455 590	2 121 972	3 274 477	1 976 383
BBBEE certification	level	2	2	2	2	3	2	2

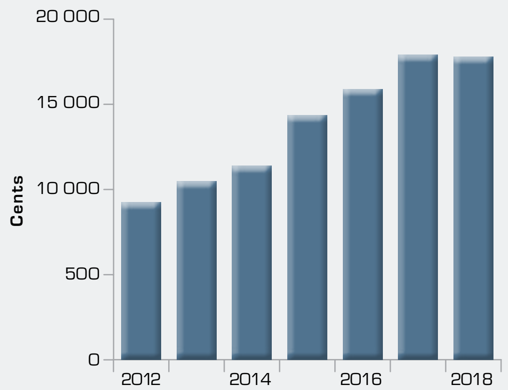
HEADLINE EARNINGS



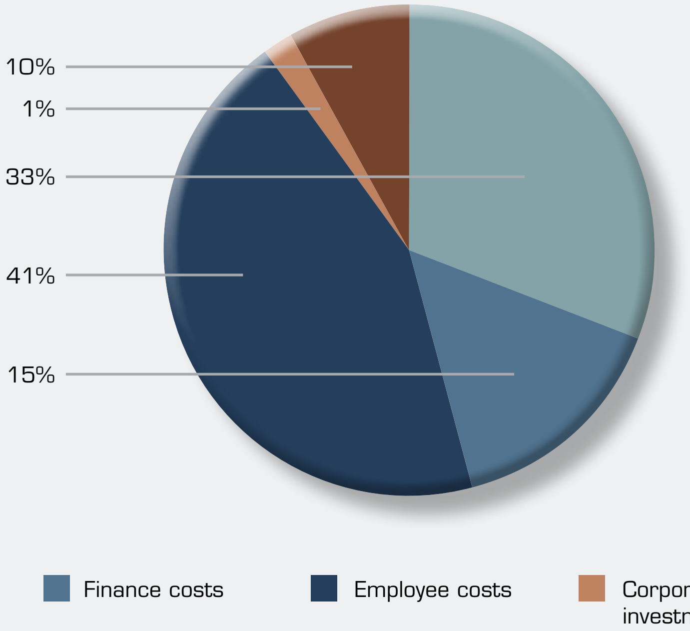
DIVIDEND PER SHARE



NET ASSET CARRYING VALUE PER SHARE

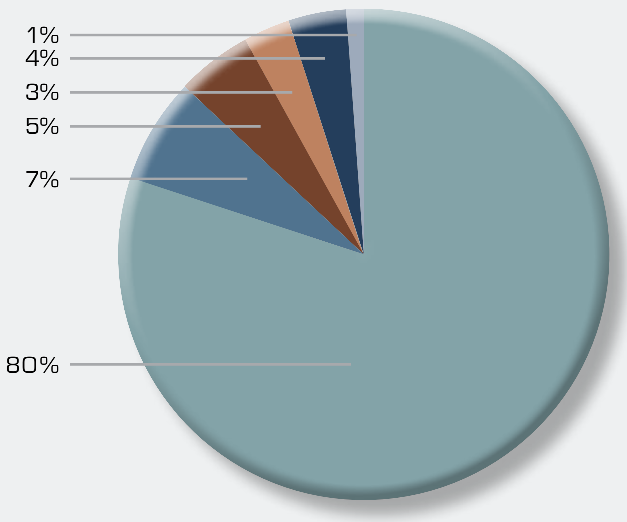


DISTRIBUTION OF WEALTH 2018 – R11.6m (2017:R11.1m)

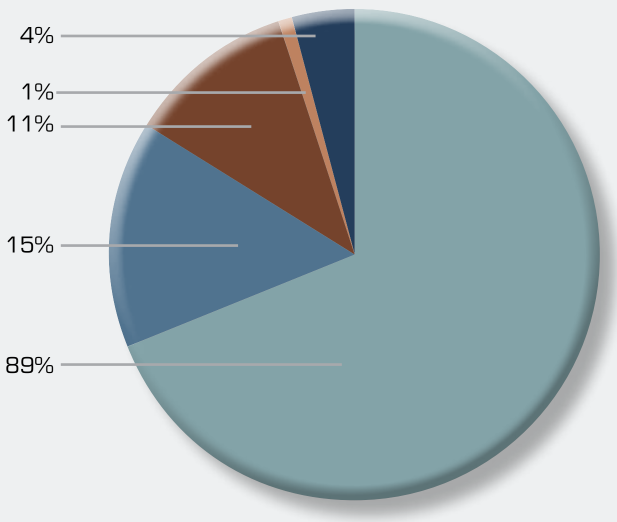


SEGMENTAL CONTRIBUTION – 2018

EBITDA CONTRIBUTION

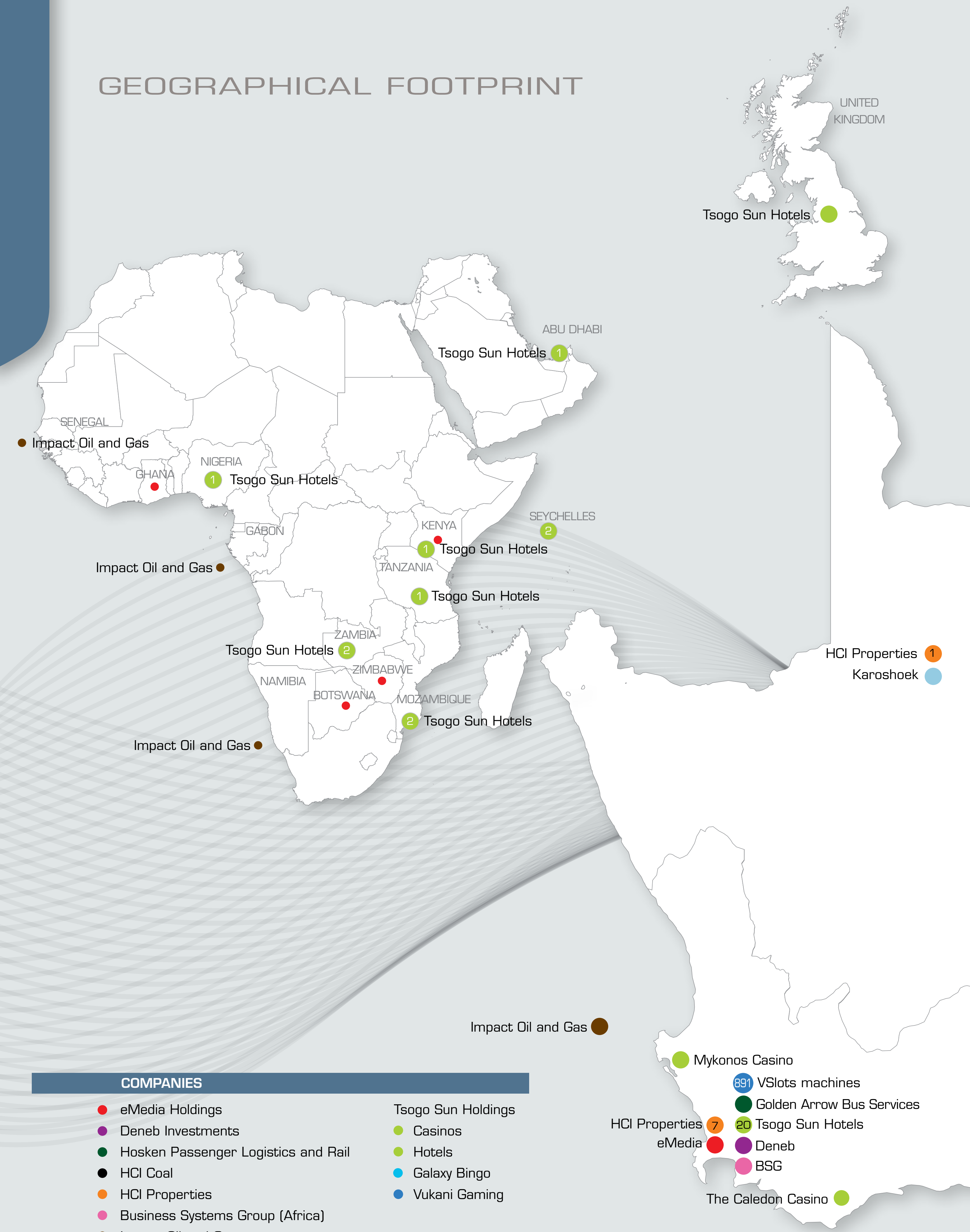


SEGMENT CONTRIBUTION TO HEADLINE EARNINGS



Casino gaming and hotels | Transport | Mining | Media and broadcasting | Properties | Branded products and manufacturing

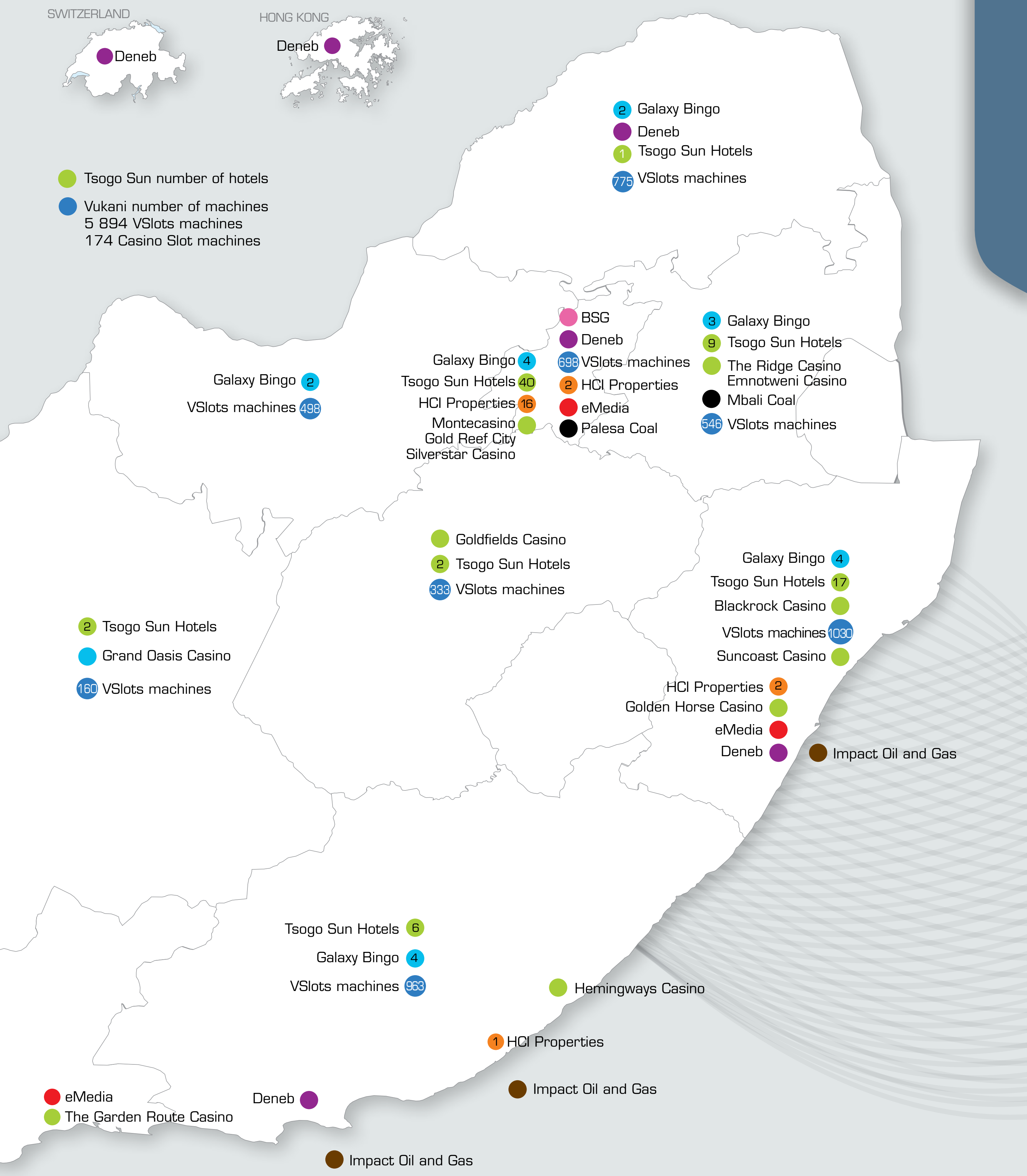
GEOGRAPHICAL FOOTPRINT



COMPANIES

- eMedia Holdings
- Deneb Investments
- Hosken Passenger Logistics and Rail
- HCI Coal
- HCI Properties
- Business Systems Group (Africa)
- Impact Oil and Gas
- Karoshoek

Tsogo Sun Holdings
- Casinos
- Hotels
- Galaxy Bingo
- Vukani Gaming


SWITZERLAND
Deneb
HONG KONG
Deneb
Tsogo Sun number of hotels
Vukani number of machines
5 894 VSlots machines
174 Casino Slot machines
2 Galaxy Bingo
Deneb
1 Tsogo Sun Hotels
775 VSlots machines
Galaxy Bingo 2
VSlots machines 498
BSG
Deneb
698 VSlots machines
2 HCI Properties
eMedia
Palesa Coal
Galaxy Bingo 4
Tsogo Sun Hotels 40
HCI Properties 16
Montecasino
Gold Reef City
Silverstar Casino
3 Galaxy Bingo
9 Tsogo Sun Hotels
The Ridge Casino
Emnotweni Casino
Mbali Coal
546 VSlots machines
Goldfields Casino
2 Tsogo Sun Hotels
333 VSlots machines
Galaxy Bingo 4
Tsogo Sun Hotels 17
Blackrock Casino
VSlots machines 1030
Suncoast Casino
HCI Properties 2
Golden Horse Casino
eMedia
Deneb
Impact Oil and Gas
2 Tsogo Sun Hotels
Grand Oasis Casino
160 VSlots machines
Tsogo Sun Hotels 6
Galaxy Bingo 4
VSlots machines 963
Hemingways Casino
1 HCI Properties
Impact Oil and Gas
eMedia
The Garden Route Casino
Deneb
Impact Oil and Gas

TSOGO SUN

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

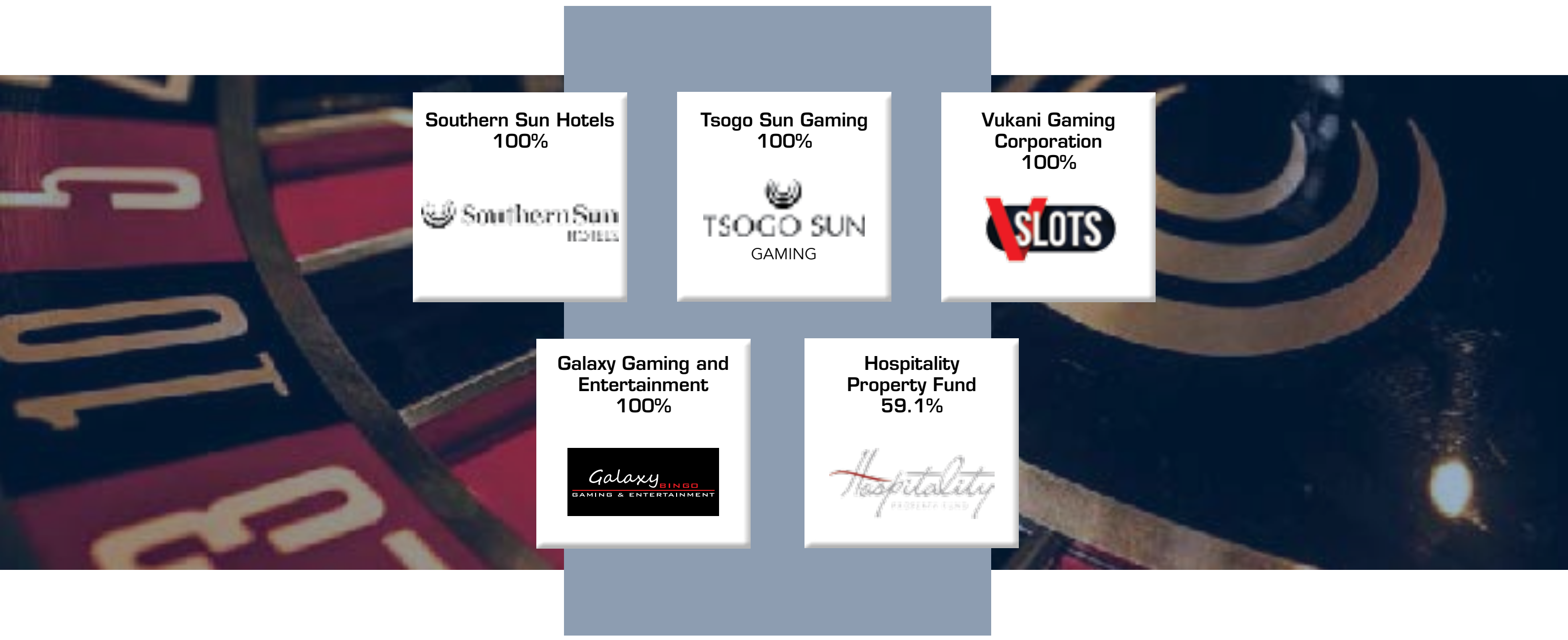
Tsogo Sun Group highlights for the year:

• Income	R 14.0	billion	up 6%
• EBITDAR	R 5.3	billion	up 4%
• Adjusted HEPS	197.8	cents	down 5%
• Dividend	70.0	cents	unchanged

Trading for the year ended 31 March 2018 was impacted by the continued pressure on the consumer due to the macro-economic environment, extremely weak sentiment and political uncertainty. The trading results were assisted by the acquisition of Niveus Invest 19 Limited ("Gameco") comprising the Galaxy Bingo and Vukani Slots businesses on 20 November 2017 and the acquisition of two hotel businesses from the Liberty Group ("Liberty") and Hospitality Property Fund Limited ("HPF") in the prior year and negatively impacted in casino gaming by the opening of the Time Square casino in Menlyn. The potential impact of the positive political developments have resulted in improved sentiment which has not yet translated into a significant improvement in trading, although trading in the second half was better than in the first half of the year. In the low-revenue growth environment cost control remained a significant focus during the year.

In terms of the group's continued growth strategy R3.3 billion was spent during the year, including:

- the acquisition of Hosken Consolidated Investment Limited ("HCI") and all other shareholders' interests in Gameco for a combination of 98.5 million Tsogo Sun shares and R1.7 billion in cash;
- the continued construction on the R1.5 billion expansion and refurbishment of the Suncoast Casino and Entertainment World. The project includes past spend with the Salon Privè scheduled to open in July 2018 and the remainder of the project scheduled to open in December 2018. R291 million was spent during the year;
- the acquisition by HPF of various sections and exclusive use areas of the Sandton Eye sectional title scheme from Savana Property Proprietary Limited and an existing real right of extension in the scheme from Sandton Isle Investments Proprietary Limited for R302 million;
- the development of a US$16 million 125 room StayEasy in Maputo, Mozambique, which opened during April 2018. R145 million was spent during the year;
- the opening of a new 504 room SunSquare and StayEasy branded leased hotel in the Cape Town City Bowl during August 2017. The spend on furniture and fittings was R34 million during the year; and
- the group invested R670 million on replacement capex group-wide, including gaming system replacements and casino floor and major hotel refurbishments, ensuring our assets remain best in class.



Maia Resort Seychelles

Montecasino

Total income for the year of R14.0 billion ended 6% above the prior year with a 6% growth in net gaming win and assisted by a 9% growth in food and beverage revenue and strong growth in property rental income. The net gaming win growth is assisted by the acquisition of Gameco during the year. Earnings before interest, income tax, depreciation, amortisation, property rentals, long-term incentives and exceptional items ("Ebitdar") at R5.3 billion for the year was 4% up on the prior year. Excluding the impact of the Gameco acquisition total income grew by 1% and Ebitdar was flat on the prior year. The overall group Ebitdar margin of 37.7% is 0.5 percentage points ("pp") down on the prior year. The underlying operations of the group 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 for the group should these sectors of the South African economy improve.

Net casino gaming win for the year reduced by 2% on the prior year with slots win down 1% and tables win down 4% and was negatively impacted by the opening of Time Square and a strong performance in the first quarter of the prior year in Gauteng, mainly at Montecasino.

Overall hotel industry occupancies in South Africa have reduced to 64.2% (2017: 65.2%) for the year. Occupancies in Cape Town have weakened, particularly during the last quarter as a result of the impact of the water crisis. Trading for the group's South African hotels for the year recorded

Montecasino

system-wide revenue per available room ("RevPar") flat on the prior year due to flat average room rates at R1 066, with occupancies slightly up on the prior year at 64.7% (2017: 64.3%).

Overall revenue for the South African hotels division increased 8% on the prior year to R3.8 billion assisted by the inclusion of the Garden Court Umhlanga and the

Protea Hotel Victoria Junction

StayEasy Pietermaritzburg from October 2016, the consolidation of HPF from September 2016 and the opening of the SunSquare and StayEasy City Bowl hotels on 1 September 2017. Ebitdar increased by 8% on the prior year to R1.5 billion at a margin of 38.7% (2017: 38.7%).

The offshore division of hotels achieved total revenue of R565 million which was 11% 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 the US Dollar. Ebitdar (pre-foreign exchange gains/losses) decreased by 18% to R119 million. Foreign exchange gains of R1 million (2017: R38 million loss) were incurred on the translation of offshore monetary items, principally between local country currencies and the US Dollar.

Prospects

Given the weak state of the South African economy and many of the commodity focused countries in which the group 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. Nevertheless, the group remains highly cash generative and is confident in achieving attractive returns from the growth strategy once the macro-economic environment improves.

The group continues to implement a variety of projects and acquisitions including:

- the internal restructuring and negotiations with HPF for the acquisition by HPF of certain of the casino precinct properties currently owned by the group in consideration for the issue by HPF of new shares in HPF, and the unbundling of the group's entire interest in HPF as announced on SENS on 2 March 2018 and finalised on 10 July 2018;
- 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 the group should the provincial authorities allow such a process. The Western Cape Provincial Treasury published a draft Bill and Regulations intended to permit the relocation of outlying casinos to within the Metropole;
- 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 the group may apply additional capital in this regard.

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

Suncoast Casino

Southern Sun Waterfront

Garden Court Oliver Tambo

OPERATIONAL OVERVIEW (continued)

HPL&R
Hosken Passenger Logistics & Rail

Hosken Passenger Logistics and Rail ("HPLAR")
www.hplr.co.za

With its listing on the JSE, Hosken Passenger Logisitics and Rail effectively acquired 100% shareholding of its major subsidiary Golden Arrow Bus Services ("GABS") through HPL and R Investments Proprietary Limited.

GABS in turn has shareholding interests in MyCiti vehicle operating companies Table Bay Rapid Area Transport and The N2 Express, and a joint venture partnership with emerging bus companies in Sibanye Bus Services Proprietary Limited.

The performance of GABS was grounded in its operating division having maintained a consistent 97% efficiency ratio of scheduled trips departing depots according to the official timetable. This has distinguished GABS as a reliable and compliant operator of public transport services in the metropole.

In this regard, GABS posted a creditable 5% increase in comprehensive income which was heavily impacted by a 30% rise in the fuel price and further exacerbated by the Bargaining Council's 9% across the board wage determination and a 13% hike in the overtime rate.

The company's resilient performance has been supported by a range of training and development initiatives aimed at driving efficiencies across the value chain and are testimony to the company's central philosophy of growing its own timber. This was tangibly demonstrated by the provision of 16 840 training days to its employees and laid the foundation for fifty two internal promotions during the reporting period.

The new R30 million Training and Recruitment Centre was completed during the review period. GABS is poised to entrench the facility as a centre of driving excellence and a channel for developing skills and competencies that are allied to the commuter bus industry.

Application to become an accredited Assessment Centre during the current financial year will broaden the Centre's service offering and effectively position it as an additional conduit for revenue generation.

A marginal increase in the Public Transport Operating Grant and a modest fare adjustment were diluted by misaligned wage increments and a soaring fuel price during the review period.

This was partly offset by improved fuel efficiencies derived from the company's ongoing fleet recapitalisation and the reduction of excessive positioning and dead kilometres.

Through the recapitalisation of its fleet, the harnessing of new technologies aimed at achieving extended unit lifecycles of spares and increasing the thresholds of fuel and lubricant

usage have complimented the range of cost containment measures instituted during the review period.

The much anticipated rollout of the Automated Fare Collection ("AFC") system has proceeded according to project timelines and the expected utility of the system should be fully realised during the impending financial year.

The AFC system will make provision for the selling and updating of contactless smart cards at various points and will control both cash fares and smart card validation aboard buses. Importantly, the system will allow for the capturing of invaluable ridership data which will highlight route and trip efficiencies and ensure that the service offerings meet the exact needs of passengers.

Rising personnel costs driven by exorbitant wage settlements and outdated plant level pay practices continues to erode efficiency gains garnered across other areas of the company's value chain.

Concerted efforts have been made to engage organised labour at plant level to highlight the debilitating effect of these practices in order to arrest the exponential erosion of operating margins in order to safeguard the future competitiveness of the company.

The devastating drought and the restrictions on water usage imposed by the City impacted negatively on the hygiene of the bus fleet and by extension the convenience of passengers and the allure of the bus service.

Initially GABS had official exemption to wash buses but reversed this immunity as part of the collective effort to save water. A range of water saving measures were instituted across the company and an innovative bus washing system which recycles water continuously through a cyclical water-flow which is reused a number of times was introduced.

The system also cleans the undercarriage at each wash making it easier for technical staff to identify areas of concern. Bus washing and undercarriage cleaning are the largest consumers of water in the operations division and the recycling of 80% of water used, has been a significant contributor to optimal water savings.

As part of the HCI group's commitment to manage its carbon footprint and improving sustainability measures, a solar installation was piloted at the company's Multimech complex. This initiative has generated an average of 100 kilowatt hours ("kWh") on average per day which has provided sufficient rationale for rollouts of solar installations to other company facilities.

Vandalism continues to plague bus services in Cape Town and GABS buses become prime targets during the rising tide of service delivery protests which has proliferated across the peninsula over the past year and as national and provincial elections loom.

The company continues to forge close links with all law enforcement agencies and has instituted appropriate protocols to counter and manage situations which threaten the security of assets and the welfare of passengers and staff.

GABS remains optimistic that its track record as a reliable and competent operator and the innovative manner in which it has instituted cost containment measures effectively positions the company to optimise the gamut of opportunities which will unfold with government's resolve to transform public transport and the growing demand for bus services in the Cape Town metropolitan area.

Hosken Passenger Logisitics and Rail is separately listed on the JSE Securities Exchange, and more information can be found on the group at www.hplr.co.za

eMEDIA HOLDINGS
www.emediaholdings.co.za

The group ended the period with a loss for the year from continued operations of R1 599 million compared to a profit in the prior year of R112 million. Included in the loss for the current year is the impairment of goodwill of R1 501 million relating to the goodwill recognised upon the acquisition of eMedia Investments Proprietary Limited. Also included in the loss is the impairment of goodwill of subsidiary Coleske Artists of R31 million and an impairment of the investment in an associate company Da Vinci Media, of R64 million. EBITDA for the group ended on R178 million compared to R405 million in the prior year, a 56% decrease year-on-year. Headline earnings for the group amounted to a loss of R12.5 million compared to a profit of R98 million in the prior year.

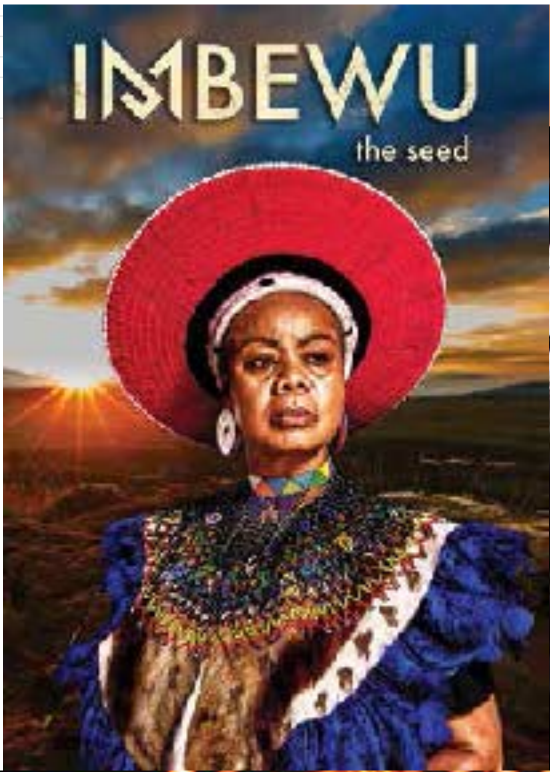
The only asset of the group is a 67.69% interest in eMedia Investments, the company that owns e.tv, eNCA and Openview.

Tough trading conditions continued for the free-to-air broadcasting industry with advertising revenue remaining flat. Despite this, the group showed an increase of 5% in advertising revenue from R1 505 million to R1 573 million. The results were also impacted by the new Multichoice agreement with eMedia Investments. In this regard, license fee revenue was cut substantially in the current year. In addition, the group continued to invest in the Openview platform which remains loss making.

e.tv's share of broadcast audience remains under pressure, mostly due to the popularity of local dramas commissioned by the SABC. The group has implemented various schedule changes, including the launch of an additional local drama in April 2018. While the SABC commissions a substantial amount of local programming, at much higher cost than equivalent international content, etv's ability to commission additional local dramas is limited by its schedule budget and profitability. etv's schedule will remain under pressure while the SABC continues to operate under a subsidised regime, however management is confident that its current schedule should arrest any significant decline.

The reduction in the movie slots, and a detailed analysis of the movie inventory, necessitated a once-off write-down of the movie inventory of R68.8 million. This is included in programming costs and other cost of sales which has shown an 11% increase year-on-year. A new revenue and content acquisition system was implemented to ensure better content acquisition in future.

Openview (inclusive of the e.tv multi-channel business) earned advertising revenue of R60 million and incurred content costs of R173 million. Operating costs, including retail subsidies of R74 million amounted to R255 million. The net operating loss of Openview amounted to R366.6 million (2017: R394.5 million). Openview set-top box activations continue to grow at an average of 35 000 per month. At the end of the period, a total of 1 149 217 (2017: 778 493) boxes have been activated and a total of R74 million (2017: R99 million) has been spent on retail subsidies. The SES-5 satellite contract was terminated in December. The group will increase its content investment in the Openview platform during 2019 and recently announced that it will launch a news channel on Openview during the last quarter of 2018. In addition an Afrikaans block of programming, including news and current affairs, will also be launched in the first half of the new financial year. While these programmes and channels



'The Spotlight' with Tanya Nefdt

will be loss making in the beginning, they are part of the content that is required to promote set-top box uptake and viewership. Openview currently attracts about 3,5% of the television audience in South Africa and breakeven is estimated to be in the region of 6%.

eNCA continues to be the most watched 24-hour news channel in the country with over 50% of the market share. As mentioned, the amount received from Multichoice has reduced from this year, however costs are being well controlled in this entity.

Certain of the group's other subsidiaries have performed satisfactorily for the year. These include Sasani Africa and Strika Entertainment, while other assets have underperformed but shown improvement towards the latter part of the financial year. Management continues to review non-core and peripheral business and will exit these businesses when opportunities present themselves.

The television market is facing numerous technology and viewership challenges which will require the group to continually assess its strategic alternatives. eMedia's investment in Openview provides the group with strategic flexibility and is part of its plan to address the challenges of the impending digital migration transition. Management continues to engage government on their DTT and DTH plans and it is pleased that the new minister of communications has adopted an open mind and pragmatic approach to the conversion to digital broadcasting. Management is optimistic that the department, under her leadership, will manage this transition effectively and choose plans that will enable the transition to happen as expeditiously as possible while limiting the cost thereof to the fiscus and industry participants.

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

Although there were some strong performers in Deneb, most notably Vega Properties, Prima Interactive, Formex, Romatex Home Textiles and the Empire Group, it's safe to say that the year ended 31 March 2018 proved to be a difficult year. Some of the businesses that interface into retail as well as those that interface into the construction industry found it particularly difficult. It was not all down to the poor market though, we also had some failings in areas that could have been better managed. However, the failings have not been glossed over. Decisive action has been taken in the form of restructuring operations and discontinuing uneconomic product lines.

The results for the current financial year are significantly influenced by these restructuring initiatives. In certain instances, the restructuring affects separately identifiable pieces of businesses and where this is the case, the results for these pieces are reflected as discontinuing operations. In other cases the costs of restructure remain within the continuing operations.

The restructuring processes affected the following three businesses in the main:

- Winelands Textiles – This business comprised two manufacturing facilities in the Western Cape: one in Paarl and one in Worcester. During the course of the year these two facilities were consolidated into a single facility in Worcester. The consolidation significantly reduces the overheads and breakeven point, which will allow the business to focus on more viable product lines;
- The office automation business – This company has decided to concentrate its business on the Gauteng market and all the outlying branches have been sold; and
- The branded sporting goods business – This business has been placed under the control of new management that has been working on discontinuing loss-making brands, improving operational efficiencies and effectiveness and optimising management structures. The result of these initiatives has seen the break-even point drop significantly. The focus now is to grow the brands that remain.

Although turnover grew by 5% to just over R3.2 billion, this growth was derived from the following acquisitions:

- New Just Fun Group was acquired with effect from 13 December 2017. New Just Fun is a South African toy distributor and holds the distribution rights to some of the world's leading toy brands; and
- The formation of HTIC (Hong Kong). This business sources goods from Asian manufacturers primarily for its South African client base, including our own group companies.

If one excludes the revenue from these acquisitions, the remaining businesses saw marginal revenue growth. This is attributable to our own decisions to discontinue unprofitable product lines, but it does reflect some of the difficulties experienced in the retail and construction markets in particular.

Gross margins also came under pressure due in part to new revenue streams, including HTIC, which operate a high volume, low margin business model. The discontinuation of certain product lines and slower retail sales meant that we needed to clear or provide

for the related inventory. Furthermore, certain of the businesses experienced quite significant increases in raw material prices which could not be entirely passed on to customers. These price increases came about through international shortages in the underlying raw materials. The situation started to normalise towards the end of the financial year.

Certain of Deneb's subsidiaries have moved from being loss-making to having realistic expectations of being sustainably profitable. This has meant that those businesses are required to recognise deferred tax assets on historic tax losses. This resulted in taxation income of R73 million in the current period.

Overall, although the year under review proved to be difficult, management believes that the actions taken see Deneb emerge in a stronger position than it began. As management continues to find solutions for the underperforming businesses, it will result in improved operating margins going forward or further capital releases.

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 INVESTMENTS LIMITED ["NIVEUS"]
www.niveus.co.za

In November 2017, Vukani Gaming and Galaxy Bingo (and all their associated entities) were transferred to Tsogo as all the conditions precedent in the sale agreement, had been met. Subsequent to year-end, regulatory approval for the transfer of Kuruman casino was granted, and the casino will be transferred to Tsogo.

The Niveus Group owns a 58% interest in the La Concorde Group. Through a series of transactions a subsidiary of La Concorde, renamed to Hosken Passenger Logistics and Rail Limited ("HPL&R"), was capitalised with R1,1 billion of cash and cash equivalents. HPL&R purchased 100% of GABS and 76% of ElJoSa Travel & Tours from HCI for R1.8billion which was settled by the issue of approximately 62% of the issued shares of HPL&R to HCI. On 13 April 2018 La Concorde unbundled its interest in HPL&R to its shareholders. HPL&R was listed on the Main Board of the JSE on 24 April 2018 and unbundled by Niveus to its shareholders on 30 April 2018.

Niveus has either sold or distributed its gaming assets and dividended the majority of its cash assets to shareholders. In February 2018, the La Concorde subsidiary declared a cash dividend of approximately R650 million to its shareholders. La Concorde Group received approximately R247 million of this cash dividend and subsequently declared a dividend of R3,62 per share to its shareholders. Niveus, as a 58% shareholder of La Concorde Holdings Limited, received approximately R143 million and proceeded to declare a dividend of R1,20 per share to its shareholders.

The remaining assets of La Concorde consist mainly of investment property, art and cash. Additions to the La Concorde head offices were made during the year with development plans for vacant land being considered. Niveus continues to hold an interest in online sports betting and retail sports betting licences of which five became operational during the year. Niveus has also invested in a start-up investment developing radar tracing products in the golf industry and continued development progress is being made.

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


Waterberg exploration

PLATINUM GROUP METALS LIMITED
www.platinumgroupmetals.net

Platinum Group Metals ("Platinum Group") is a North American listed mineral exploration and development company focused on South African assets.

Platinum Group is currently advancing the Waterberg platinum and palladium project which is being jointly developed by the Platinum Group, Japanese state-owned enterprise Japan, Oil, Gas and Metals National Corporation ("JOGMEC") and Impala Platinum Holdings Limited ("Impala"), the world's second largest producer of platinum. HCI recently acquired a 15% stake in Platinum Group and has a right to a representative on the Board of Directors. HCI is also directly involved in the oversight and completion of the Waterberg definitive feasibility study.

Located in Limpopo, on the northern limb of the Bushveld complex, Waterberg represents a large-scale platinum group metal resource with an attractive risk profile, given its shallow nature and ability to support a fully mechanised operation with the potential for the project to have amongst the lowest operating costs in the PGM sector.

HCI Properties


111 Commissioner


Rand Daily Mail House

HCI PROPERTIES ("HCIP")
www.hciproperties.co.za

Financial overview

HCI Properties ("HCIP") earnings increased by a moderate 3% for the period under review to R65 million (2017: R63 million). This excludes fair value adjustments of R28 million. The financial performance does not accurately reflect the efforts and activity of the business of HCIP which effectively only produced the slight increase in headline earnings. It's more a reflection of the slowdown of the economy and lack of business/consumer confidence across the spectrum.

Developments completed

HCIP, in a joint venture with Checkers and Dorpstraat, completed the 28 400sqm retail centre Whale Coast Village Mall in Hermanus. In extremely difficult leasing environment, the centre's opening was a success. Over 75 percent of the centre is let to nationals and trading densities to date exceeded expectations. Phase II will be complete in September 2018 and the majority has been pre-let.

Shell House, HCIP's second inner city mixed use project (retail and housing) was completed. The retail has a waiting list of tenants and housing at date of writing was 95% let.

Developments in Progress

The joint ventures with Abland continue to roll out successfully. The Monte Circle office precinct in Bryanston will commence with its fourth office during the course of 2018 and HCIP's industrial venture in Modderfontein has commenced its third and last building. Initial development work on The Palms mixed use precinct has commenced. The refurbishments have already assisted with re-establishing interest in the precinct but the redevelopment of the unutilised bulk has been pushed out, given the general slowdown still being experienced in the economy.

The residential developments with HCIP's partners, the Berman Brothers, are well underway. The smaller


Blue Hills

The Palms, Cape Town

e.tv phase 2

KIngs Road

Westlake Phase 1 and 3

of the two, Kings Road has achieved 50% pre sales with expected completion date July 2019.

The Fulcrum, the second development, commenced with bulk excavations but is at least 4 years from completion.

Phase 2 of Kalahari Village Mall was also completed and fully let.

Development Pipeline

HCIP and Swish Properties have acquired two properties in Auckland Park, Johannesburg. This is the start of HCIP's investment into student housing. Management sees it as complimentary to its Inner City Housing business.

The focus with Swish Properties will be student housing in Johannesburg and Cape Town. Development of HCIP's first building will commence towards the end of 2018.

HCIP also commenced with its third mixed use inner city development in the Johannesburg CBD. Retail pre-lets are promising.

The parcel of land acquired by HCIP in Zonnebloem, Cape Town will add to HCIP's office and commercial portfolio.

HCIP acquired a further piece of land adjoining its retail investment, Blue Hills Centre in Midrand. The centre is 100% let and this will add nicely to its offering as the node is experiencing growth.

General

The convention centre business, Gallagher Estate experienced a sharp drop in the exhibition and conferencing business last year and affected HCIP's results accordingly.

Further exposure to retail acquisitions/developments were curtailed, except where part of inner city developments. HCIP will continue to focus and enhance its current completed portfolio of developments.

HCIP's pipeline of developments are well positioned in terms of mix in relation to our state of economy. They also suit HCIP's current growth aspirations and allocation of capital.

HCI Coal (Pty) Ltd

HCI COAL PROPRIETARY LIMITED ["HCI COAL"]
www.hcicoal.co.za

The year started on a very sombre note when a fatality occurred on 10 April 2018 at the Palesa mine. The deceased Mr Aaron Ndlovu was employed as an artisan assistant and had been with the company since August 2016. The final recommendation regarding this accident is currently still to come from the Department of Mineral Resources. The company's safety record was interrupted with the fatality. The Lost Time Injury Frequency Rate ("LTIFR") on a cumulative basis ended on 0.14 (2017: 0.24). Zero LTI remains a key focus for the group. The company has launched its Visual Felt Leadership ("VFL") initiative during the year, which shows its commitment to a safe working environment at both operations.

The business as a whole continued its steady progress and performed ahead of expectations for the year under review. Revenue for the year increased by R108 million to R1.202 billion and EBITDA from R244 million to R440 million which included the sale of its Nokuhle Colliery.

Nokuhle Colliery, situated in the Mpumalanga Province, with a mineable reserve of 6.4 million tons was sold for an upfront cash consideration of R155 million. The funds will be directed at resources that become available in the market as the company is actively looking and are currently involved in a detailed investigation of an operating entity.

Palesa Colliery came close to matching the previous year sales record ending the year on 2 170 817 tons (2017: 2 182 413 tons). The colliery has met its contractual obligation with supply to Eskom for the entire 8 year off-take agreement and has tendered for 2 further long term supply agreements. In the interim the colliery is supplying Eskom and the Export market on a medium term basis. The process of consolidating the adjacent Rooipoort Reserve to Palesa is expected to be concluded in the first quarter of the next financial year.

Mbali Colliery achieved another year of marked growth on saleable tons for the year, ending with total sales volumes of 905 729, up from the 818 072 tons sold in the previous year.

A continuous effort to improve operational efficiencies resulted in an increase in the overall beneficiation yield from 63% to 68%.

HCI Coal remains committed to the empowerment of our people, and recognises that sustained socio-economic progress is achieved through investment in programmes that address education, employment and improved access to basic services. in conjunction with the DMR and regional municipalities we managed our commitments of the social and labour plans to the benefit of the local communities where our operations are located. During the year under review our focus was to provide water treatment plants to Emahlahleni Municipality as well as drilling and equipping of boreholes in the Thembisile Hani and Tswane region. Management further ensured that local communities around the mine benefitted from the intake of 9 learnerships, 5 internships and awarding of 58 bursaries.

Palesa Colliery

	Palesa Colliery Tons	Mbali Colliery Tons	Total Tons
Mineral reserve: proven	67 813 114	3 593 857	71 406 971
Mineral reserve: probable	17 551 309	-	17 551 309
	85 364 423	**3 593 857**	**88 958 280**

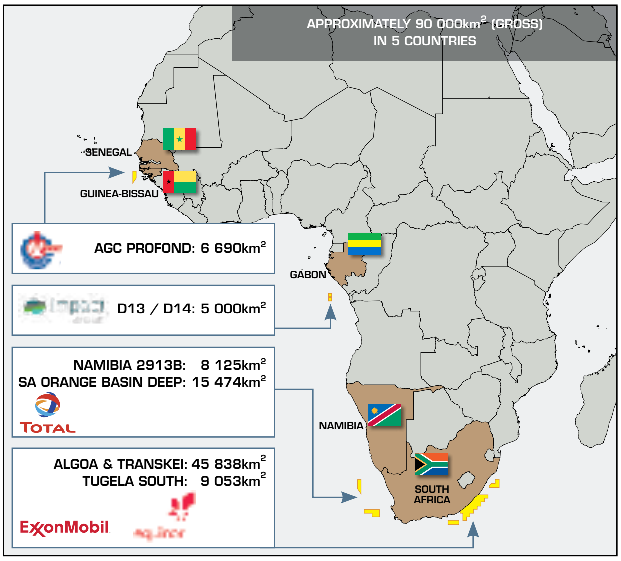
Impact Oil & Gas

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

Impact Oil and Gas Limited ("Impact") is a UK-based hydrocarbon exploration company with a strategy of developing frontier exploration opportunities into a portfolio of oil and gas exploration licences in offshore areas of Africa which have sufficient hydrocarbon potential to attract major oil and gas companies as partners. Impact's ultimate aim is to participate in the drilling of a number of high-graded prospects across African deep water acreage that are technically and geographically diverse. This drilling phase may commence as early as 2019.

The last year has seen the start of a welcome improvement in the oil and gas exploration sector. After the oil price hitting a low of under \$30/bbl early in 2016, the price gradually strengthened through 2017 and is now trading above \$70/bbl. The inevitable efficiency drives by the oil majors during such a cycle downturn has now placed them in a more comfortable position as the recovery takes hold. There appears to be a move towards replenishing reserves; which means a return to exploration in the search for new hydrocarbons. Whilst these are early days, and the Exploration Sector still remains fragile in the eyes of oil and gas investors, it is nonetheless a move into more positive territory for Impact.

Despite the difficult times, Impact has made significant progress in pursuing its strategy. In March 2017 the Chinese National Offshore Oil Corporation partnered with Impact in the AGC Profond Block (between Senegal and Guinea Bissau) in return for a carry of geological and geophysical costs and future well costs. The block has real potential, given its location and proximity to a number of recent discoveries in the area The \$17.0 million in new equity capital raised at the start of 2017 enabled the purchase of 5 000 km² of processed 3D seismic from CGG, over the deep water blocks D13 and D14 in Gabon. This was processed and interpreted during 2017 and confirmed both oil and gas potential within the blocks. A partner is needed before progressing further. In Namibia, Petroleum Geo-Services ("PGS") completed the acquisition of 3D seismic over Block 2913B in January 2017 and the data was processed and interpreted over the following six months. This licence lies within the Orange Basin sedimentary area. The interpretation has confirmed an extensive potential sand reservoir; the indications from the seismic data are that this potential reservoir could contain significant oil reserves. In October, Impact completed the farm-out of this block to Total in return for a carry of certain seismic and future well costs. A well on this block is anticipated in 2019.



On the South African side of the Orange Basin, Total will also join Impact in the Orange Basin Deep licence in the Atlantic off the Western Cape. This is an early-stage licence in which each party will pay its share of the exploration costs going forward. The interest of Total reflects the perceived potential of the Orange Basin. Elsewhere, off the east coast of South Africa, work carried out so far indicates that this area has great potential, but a lot more work needs doing.

Impact has now partnered four hi-calibre super-majors across most of its assets and has also recently attracted Africa Oil Corp as a significant shareholder. To accomplish this through a difficult period for the industry reflects the quality of the assets and potential of Impact going forward. Nonetheless, there are some political challenges that need resolution before taking Impact into the drilling phase on some licences. In the AGC, the treaty between Senegal and Guinea-Bissau needs agreement and signature; in Gabon Impact needs to finalise an agreement to amend the company's existing licences beyond their initial term and also to enter into a farm-out agreement with a partner and, in South Africa, the Mineral and Petroleum Resources Development Act ("MPRDA") needs to be finalised and approved by government.

During the year, HCI increased its stake in Impact. HCI further agreed to provide half of a \$35m capital raise. The combined effect of these decisions will result in HCI owning the maximum stake in Impact currently permitted by the South African Reserve Bank, namely 49%. HCI also owns the majority of warrants issued by Impact to subscribe for further shares, at a fixed price, in 2020. Helios swapped its shareholding for shares in Africa Oil Corp which, in addition, subscribed for the balance of the capital raised, lifting its combined shareholding in Impact to 25%. The Lancaster Trust, a family trust of John Copelyn, also acquired a 5% stake in Impact. The cash raised should provide for the cash needs of Impact for the next year, including its anticipated needs to fund its obligations in relation to drilling a discovery well in Namibia which, we hope, will be in 2019.

KAROSHOEK

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 us to supply electricity after sunset, and into the peak period when Eskom requires greater levels of supply. Construction of the plant is proceeding well and the commissioning of the plant has commenced. It is on track to supply electricity to the national grid not later than December 2018.

bsg

Unlocking potential ➤ Accelerating performance

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

www.bsg.co.za

BSG is a consulting and technology company which was started 21 years ago. It focuses on leveraging data-led, customer-centric services to effect digital transformation of the businesses of its clients.

It strives to strengthen relationships with established clients which are primarily across the banking, health, insurance and assurance, media and oil and gas sectors as well as to grow its client list.

The company had its best year to date which is really encouraging given the generally difficult economic climate.

Karoshoek

Karoshoek

Sandstone Cliff on the Transkei Coast – similar to those that may form the oil reservoirs offshore.

SHAREHOLDERS' SNAPSHOT

Analysis of shareholders

Listed below is an analysis of shareholdings extracted from the register of ordinary shareholders at 31 March 2018

Range of holdings

Share Range			Number of shareholders	% of current shareholders	Number of shares	% of Issued Capital
1	–	1000 shares	1 468	63,9	390 006	0,4
1 001	–	10 000 shares	489	21,3	1 775 713	1,9
10 001	–	50 000 shares	197	8,6	4 377 067	4,7
50 001	–	100 000 shares	44	1,9	3 203 883	3,5
100 001	–	500 000 shares	75	3,3	16 798 528	18,1
500 001	–	1 000 000 shares	13	0,6	9 584 492	10,3
1 000 001	–	shares and over	10	0,4	56 684 959	61,1
			2 296	100,0	92 814 648	100,0

Type of shareholder

	Number of shareholders	% of current shareholders	Number of shares	% of Issued Capital
Public companies	26	1,1%	5 409 210	5,8
Banks	32	1,4%	6 393 636	6,9
Close corporations	60	2,6%	3 518 004	3,8
Individuals	1 810	78,8%	22 028 808	23,7
Nominees and trusts	177	7,7%	2 125 767	2,3
Other corporations	77	3,4%	41 577 660	44,8
Pension cunds	57	2,5%	2 294 098	2,5
Private companies	57	2,5%	9 467 465	10,2
	2 296	100,0%	92 814 648	100,0

Shareholders' diary

Financial year end	31 March
Annual general meeting	22 October
Reports	
- Preliminary report	May
- Interim report at 30 September	November
- Annual financial statements	July

Shareholdings greater than 5%

At 31 March 2018, insofar as HCI is aware, the following members beneficially held directly or indirectly 5% or more of the issued shares:

	2018	2017
Southern African Clothing and Textile Workers Union	**32,3**	32,8
Ronaldgate Proprietary Limited	**7,0**	6,0
	39,3	38,8

Shareholder spread

	Percentage held		Number of shareholders	
	2018	2017	**2018**	2017
Public	**52,0**	54,9	**2 286**	2 239
Non public	**48,0**	45,1	**10**	8
Directors	**7,4**	6,5	**4**	3
Associates of directors	**0,8**	0,6	**1**	1
Significant shareholder	**32,3**	32,8	**1**	1
Share trust	**0,2**	0,7	**1**	1
Treasury shares*	**7,3**	4,5	**3**	2
	100,0	100,0	**2 296**	2 247

**2 688 000 shares (2017: Nil) held by the company, pending cancellation, at year end.

Stock exchange performance	31 March 2018
Total number of shares traded (000's)	14 393
Total value of shares traded (R'000)	1 942 350
Market price (cents per share)	
- Closing	14 400
- High	16 299
- Low	11 691
Market capitalisation (R'000)	12 367 045

EXECUTIVE DIRECTORS

JOHN COPELYN

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

Age: 67

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 within the group. He is chairman of Deneb Investments, Niveus Investments, eMedia Holdings, Hospitality Property Fund, Tsogo Sun Holdings and the HCI Foundation.

KEVIN GOVENDER

Financial Director
B.Compt [Hons]

Age: 48

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, Hosken Passenger Logistics and Rail 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: 60

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, eMedia Holdings, Niveus Investments and Tsogo Sun Holdings. He is chairman of Hosken Passenger Logistics and Rail. 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: 43

Mapi is an executive news professional with over 16 years broadcasting experience. She is editor-in-chief of our 24-hour news channel eNCA. She is the chair of the broadcasting forum of the South African National Editors Forum ("SANEF"). 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.

Mac 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., and a partner of PwC until 2013. He is a non-executive director on a number of boards including Basil Read Holdings, Dis-Chem Pharmacies, Hospitality Property Fund, and Tsogo Sun Holdings. He 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.

MAHOMED GANI

Independent
Non-executive Director
member -
audit and risk committee

B.Compt [Hons] CA(SA)

Age: 65

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

FREDDIE MAGUGU

Chairperson -
remuneration committee

BA (Theology)

Age: 58

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 on the boards of Niveus Investments, EOH Holdings and the South African Post Office. She was appointed to the Board of HCI as a non-executive director in January 2007.

MORETLO MOLEFI

Chairperson -
social and ethics committee

Member -
audit and risk committee

BSC, MBCHB, Telemed
diploma, SMP

Age: 49

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 Vukani as well as the chairperson of Golden Arrow Bus Services. He is chairperson of eMedia Holdings and a director of Tsogo Sun Holdings. He was appointed to the Board of HCI as a non-executive director in September 2010 and as the independent chairperson in August 2015.

ELIAS MPHANDE

Chairperson

Elec. Eng. [dip]

Age: 59

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.

JABU NGCOBO

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

Age: 67

Rachel currently holds a position as manager of a local community radio 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, Niveus Investments and eMedia Holdings. She was appointed to the Board of HCI as a non-executive director in March 2014.

RACHEL WATSON

Age: 59

REPORT OF THE AUDIT COMMITTEE

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

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

The HCI audit committee is a formal committee of the board, appointed by the shareholders, and functions within its documented terms of reference. The terms of reference were reviewed and updated during the year and approved by the board. 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.

The audit committee met four times during the year under review. At least two non-conflicting members are required to form a quorum.

Committee member	No of meetings	Attendance of members
MSI Gani (chair)	4	4
ML Molefi	4	4
JG Ngcobo	4	4

Role, purpose and function

The 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 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. 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.

The committee's responsibilities include the statutory duties prescribed by the Companies Act 71 of 2008 as amended and the Listing Requirements of the Johannesburg Stock Exchange, 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 committee, as set out by section 94 of the Act and in terms of the committee's terms of reference.

Combined assurance

The Combined Assurance Forum (incorporating internal audit, external audit, the chief financial officer and the chief risk officer) provides assurance to the board that the risk management process is integrated into the daily business activities of the company and that the appropriate levels of assurance are obtained.

External auditors

The external auditors for the period under review were Grant Thornton Johannesburg Partnership and Mr Ben Frey as the designated auditor. Due to the mandatory auditor partner rotation, the committee have recommended the appointment of Mr Theunis Schoeman as the designated registered auditor for the 2019 financial year.

The committee

- confirmed the independence of the external auditor as per section 92 of the Act;
- reviewed the performance of the external auditors and confirmed that the external auditors, the partner and the firm, have complied with the suitability requirements of the JSE as detailed in paragraph 22.15(h) of the JSE Listing Requirements;
- determined the fees to be paid to the external auditor and their terms of engagement;
- determined the nature and extent of any non-audit services that the external auditors may provide to the company and its wholly owned subsidiaries;
- pre-approved any proposed agreement with the external auditor for the provision of non-audit services to the company and its wholly owned subsidiaries;
- provided for regular confidential meetings between the committee members and the external and internal auditors.

Risk management

The board acknowledges that it is accountable for the process of risk management and the system of internal control of the group. Mr D Levin holds the position of group risk officer. 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.

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

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

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

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

A disciplined and timeous reporting structure enables the committee to be fully apprised of group company activities, risks and opportunities. This is achieved by requiring that controlled companies report their key risks and responses to the committee on a biannual basis, with additional exception reporting as required. The focus of the committee is on those risks which may negatively impact the long-term sustainability of the particular business or have a material impact on short term performance.

This continual emphasis on risk management assists the board to foster a culture in the HCI group that emphasises and demonstrates the benefits of a risk based approach to internal controls and management of the group. Effective risk management is seen as fundamental to the sustainability of the group's interests.

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 in accordance with the subsidiary's agreed internal audit plan.

HCI has a majority shareholding in Gripp Advisory Services Proprietary Limited which, subject to the approval of the shareholders of the subsidiary companies, will be responsible for the internal audit function within the group.

IT governance

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

Due to the increasing possibility of cyber threats, the company engaged PricewaterhouseCoopers Inc. to assess the security maturity and vulnerability of the company's IT infrastructure. The committee has reviewed the recommendations and the implementation thereof to improve the cyber security posture at HCI.

Compliance

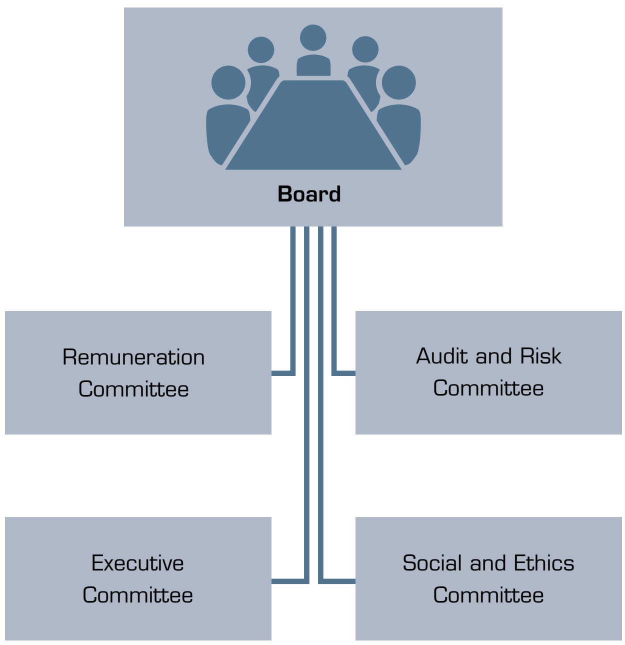
The social and ethics committee has oversight of the group's compliance programme. It is the responsibility of this committee to review the matters that pertain specifically to audit committees, such as tax compliance.

Whistle-blowing

The committee has oversight of the company's whistle-blowing programme. During the period under review it was satisfied that adequate and appropriate provision was made for whistle-blowing. No instances requiring action at a group level were raised or identified during the period under review.

Corporate governance

Corporate governance structure as at 31 March 2018.



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

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

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

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

Chief financial officer and finance function

During the period under review, the committee considered the expertise and experience of the chief financial officer ("CFO"), Mr T.G. Govender, and is satisfied that, in terms of section 3.84(h) of the JSE Listing Requirements, the CFO has the appropriate skills, expertise and experience to meet the responsibilities of the position.

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

Financial statements and going concern

The committee has reviewed the stand-alone and consolidated financial statements of the company and is satisfied that they comply with International Financial Reporting Standards and the Companies Act, and that the accounting policies used are appropriate.

The review of the financial statements include a review of the legal matters that could have a significant impact on the group's financial statements and the key audit matters contained in the external audit report.

The committee has also reviewed a documented assessment by management of the going concern premise of the company before recommending to the board that the company will be a going concern in the foreseeable future.

Sustainability reporting

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

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 2018 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
25 July 2018

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.

Committee member	No of meetings	Attendance of members
MF Magugu (chair)	2	2
JG Ngcobo	2	2

Role, purpose and function

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

The 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;
- reviewing and approving any disclosures in the annual report or elsewhere on remuneration policies or directors' remuneration; and
- As a company, HCI is committed to the principle of fair and responsible remuneration for all employees. The committee has empowered management to ensure that this principal is upheld and to address any remuneration disparities.

Remuneration philosophy

HCI's remuneration philosophy supports its business strategy, namely a long-term approach to deliver value in a sustainable manner.

The committee takes cognisance of local best remuneration practices in order to ensure that such total remuneration is fair and reasonable to both the employee and the company. The committee utilises the services of independent remuneration consultants 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.

Remuneration principles

The total guaranteed package includes a cash salary, long-term share plan and a short-term incentive cash bonus.

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

This committee is of the view that HCI's Remuneration Policy continues to achieve its stated objectives.

In the event that the non-binding advisory resolution in respect of the company's remuneration report or its remuneration policy, as summarised in this report, is voted against by 25% or more of votes casted at the annual general meeting, the board will seek to engage directly with the disapproving shareholders in order to contemplate the reasons for dissent and implement corrective action, if it deems fit.

There were no objections to the King Report on Corporate Governance ("King IV") and the non-binding advisory vote taken at the AGM on 1 November 2017 which passed by the requisite majority.

Components of remuneration

Fixed remuneration

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.

Variable remuneration

Short-term incentive

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 the group 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

Long-term incentive

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. All options issued in terms of this scheme have become unconditional and the related shares delivered. No options have been issued in terms of this scheme since the implementation of The HCI Employee Share Scheme.

Share options are allocated to participants at a ten percent discount to the 20 day volume weighted average market price as at the date of grant. The number of share options granted is determined by use of a multiple of the participant's basic salary, dividend by the discounted market price. The multiples relating to each level of management are as follows:

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

Such awards are made from time to time and are disclosed in detail. Refer to pages 39 to 44.

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%.

At 31 March 2018, HCI held sufficient treasury shares to settle its obligations to deliver shares to the participants in the HCI share scheme.

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

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

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

Non-executive directors' fees

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

Directors' emoluments and other relevant remuneration information are disclosed on page 42 to 44 of the remuneration report.

Position	Current Fee	Proposed Fee
	excl VAT	R'000
Non-executive director	290,8	305,3
Member of audit committee	119,8	125,8
Member of remuneration committee	76,3	80,1
Member of social and ethics committee	87,7	92,0

REMUNERATION IMPLEMENTATION 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, which are not directors, for the year ended 31 March 2018 is reflected below:

	Salary per annum R'000	Other benefits R'000	Bonus R'000	Other long-term incentives R'000	Termination benefits	Gains on share scheme* R'000	Total R'000
Employee A	1 723	153	3 456	12 357	28 887	-	46 576
Employee B	4 533	699	2 210	-	-	2 435	9 877
Employee C	5 987	994	1 693	-	-	-	8 674

* IFRS2 share-based payment expense

HCI EMPLOYEE SHARE OPTION SCHEME

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

	31 March 2018		31 March 2017	
	Number of share options	**Weighted average exercise price R**	Number of share options	Weighted average exercise price R
Balance at beginning of the year	**1 649 452**	**107,65**	1 770 367	99,66
Options granted	**-**	**-**	409 518	117,03
Options unconditional	**(693 061)**	**85,81**	(518 690)	87,45
Options forfeited	**-**	**-**	(11 743)	122,62
Balance at the end of the year	**956 391**	**123,47**	1 649 452	107,65

The fair value of options granted is measured using the Black Scholes Model. Share options granted in the prior year were fairly valued using a volatility indicator of 29% and an annual interest rate of 7% . No options were granted in the current year. The cost relating to options is recognised by allocating the fair value over the vesting period on a straight-line basis.

The volume weighted average share price during the current year was R134.95 (2017: R130.10).

	Number of share options	Exercise price R
The options issued in terms of the Scheme and outstanding at 31 March 2018 become unconditional between the following dates:		
18 March 2018 and 18 September 2018	129 507	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
	956 391	

A maximum number of 583 971 (2017: 711 491) shares may be issued in respect of 956 391 (2017: 1 157 054) 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 9 317 315 (2017: 9 233 368) shares may be utilised by the Scheme. No (2017: 409 518) options were issued in terms of the Scheme during the year and 43 573 shares delivered to participants (2017: 80 387).

	2018 Number of share options	2018 Weighted average exercise price	2017 Number of share options	2017 Weighted average exercise price
OPTIONS GRANTED TO EXECUTIVE DIRECTORS				
JA Copelyn				
Balance at the beginning of the year	620 464	97,61	600 115	97,13
Options granted	-	-	123 956	117,03
Options vested and shares delivered	(321 202)	73,15	(103 607)	118,06
Balance at the end of the year	299 262	123,86	620 464	97,61
Unconditional between the following dates:				
29 June 2008 and 28 June 2014	-	-	308 571	70,00
27 August 2017 and 27 February 2018	-	-	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	123 956	117,03
TG Govender				
Balance at the beginning of the year	211 727	105,33	202 681	105,17
Options granted	-	-	78 692	117,03
Options vested and shares delivered	(93 772)	84,20	(69 646)	118,06
Balance at the end of the year	117 955	122,13	211 727	105,33
Unconditional between the following dates:				
29 June 2008 and 28 June 2014	-	-	77 143	70,00
27 August 2017 and 27 February 2018	-	-	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	78 692	117,03
Y Shaik				
Balance at the beginning of the year	134 809	124,93	126 440	124,93
Options granted	-	-	8 369	117,03
Options vested and shares delivered	(39 696)	125,02	-	-
Balance at the end of the year	95 113	124,20	134 809	124,44
Unconditional between the following dates:				
19 March and 19 September 2017	-	-	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	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.

	31 March 2018	31 March 2017
	R'000	R'000
JA Copelyn		
Payable by 17 June 2018	**10 411**	10 411
TG Govender	**3 983**	7 316
Payable by 11 June 2017	-	3 333
Payable by 17 June 2018	**3 983**	3 983

	Direct beneficial		Indirect beneficial		Associates	
	Number	Percentage holding	Number	Percentage holding	Number	Percentage holding
DIRECTORS' SHAREHOLDINGS						
31 March 2018						
Executive directors						
JA Copelyn	**145 565**	**0,2**	**6 468 177**	**7,0**	-	-
TG Govender	**216 447**	**0,2**	**17 250**	-	**698 828**	**0,8**
Y Shaik	**3 223**	-	-	-	-	-
	365 235	**0,4**	**6 485 427**	**7,0**	**698 828**	**0,8**
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

Other than as noted there were no changes in directors' shareholdings between 31 March 2018 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 2018							
Executive directors							
JA Copelyn	-		**6 980**	**816**	**4 051**	**3 927**	**15 774**
TG Govender	-		**2 271**	**425**	**1 715**	**1 107**	**5 518**
Y Shaik	-		**3 609**	-	**1 371**	**1 758**	**6 738**
Non-executive directors							
JG Ngcobo	**1 021**	(1)	-	-	-	-	**1 021**
MF Magugu	**352**	(2)	-	-	-	-	**352**
ML Molefi	**545**	(3)	-	-	-	-	**545**
MSI Gani	**1 019**	(4)	-	-	-	-	**1 019**
NM Mhlangu	**287**		-	-	-	-	**287**
R Watson	**751**	(5)	-	-	-	-	**751**
VE Mphande	**1 152**	(6)	-	-	-	-	**1 152**
	5 127		**12 860**	**1 241**	**7 137**	**6 792**	**33 157**

(1) Includes R85 177 audit committee fees, R27 151 remuneration committee fees, R27 151 social and ethics committee fees and R603 000 board fees paid by subsidiary companies

(2) Includes R73 209 remuneration committee fees

(3) Includes R85 177 audit committee fees, R27 151 remuneration committee fees, R27 151 social and ethics committee fees and R127 000 board fees paid by subsidiary companies

(4) Includes R128 387 audit committee fees and R579 000 board fees paid by subsidiary companies

(5) Includes R472 000 board fees paid by subsidiary companies

(6) Includes R873 000 board fees paid by subsidiary companies

REPORT OF THE REMUNERATION COMMITTEE
(continued)

		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

MF Magugu
Chairman: remuneration committee
25 July 2018

Members: Dr ML Molefi (chairperson), Mr JA Copelyn, Mr JG Ngcobo

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 2018.

The committee comprises of two independent non-executive directors and an executive director, as appointed by the board. It is chaired by Dr ML 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.

Committee member	No of meetings	Attendance of members
ML Molefi (chair)	2	2
JA Copelyn	2	2
JG Ngcobo	2	2

There were no amendments to the committee's mandate during the year. The committee continues to review and report to the board on the sustainable development practices of the group. The committee is satisfied that it has fulfilled all its duties during the year under review, as further detailed below.

Fraud and whistleblowing

During the period under review it was satisfied that adequate and appropriate provision was made for whistle-blowing.

No instances of fraud requiring action at a group level were raised or identified during the period under review.

Ethics

No material incidents and issues were brought to the attention of the committee and no unethical behaviour was noted during this period.

Compliance

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

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

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

Gender diversity policy

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

At the date of this report, the board is comprised of 30% women and 90% of the directors are classified as "black people".

Employment practices

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

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

Health and public safety

The company strives to provide a safe and healthy environment by identifying risks and ensuring that controls designed to mitigate these risks are effective and complied with. Health and safety officers have been appointed at each of the group's key operating subsidiaries. During the year, the group's mining division had a serious industrial accident resulting in a fatality. The final recommendation regarding this accident is outstanding from the Department of Mineral Resources. With the exception of this incident, the committee is satisfied that no major health and safety risks have been identified for the period under review.

Broad-based black economic empowerment

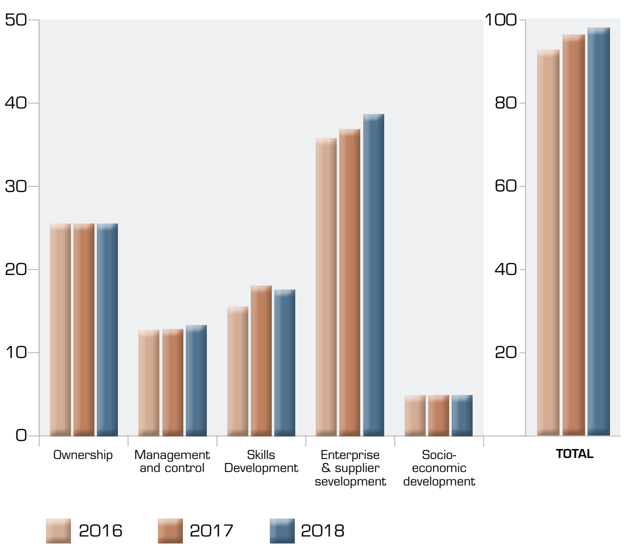
HCI is one of the most empowered companies on the JSE. The company has its roots in the trade union movement, and it is committed to broad based Black Economic Empowerment. The South African Clothing and Textile Workers Union continues to be a major shareholder of HCI, and through this shareholding, more than 100 000 clothing and textile workers benefit directly from our investments.

HCI's 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.

Empowerdex publishes an annual survey of BEE performance for listed companies in South Africa. In 2017, HCI and its subsidiaries Tsogo Sun and Niveus made up 3 of the ten most empowered companies on the JSE. In addition, HCI won the Empowerdex annual award for the highest Black Ownership of any JSE listed company.

HCI is proud to continue its strong tradition of Black Economic Empowerment. HCI has once again been rated as a Level Two contributor, with an improved score, including strong performances in the fields of Ownership, Socio Economic Development, Skills Development and Enterprise and Supplier Development.

HCI BEE scores by category – 3 year review



HCI remains committed to Black Economic Empowerment and will continue to invest the appropriate resources in this regard.

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 is also increasingly concerned about water usage, especially in the Western Cape. The company reports annually to the Carbon Disclosure Project, an independent international platform for the reporting of corporate environment impact. This platform records the impact on both carbon and water.

Carbon

HCI reports on the Scope 1 and 2 emissions of all of its subsidiaries. Scope 1 emissions are direct emissions produced by the reporting entity and are generally associated with the combustion of fossil fuel. Scope 2 emissions are indirectly derived from energy supplied by third parties and principally consist of emissions associated with the use of purchased electricity. Scope 3 consists of indirect impact comprising carbon emitted in the product value chain but not directly produced by the company. This is reported on a voluntary basis to the CDP but not included in the figures reported here.

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 Greenhouse Gas Protocol. The reasons for HCI's restated emissions in the period under review include:

- The closure of a number of textile manufacturing facilities at Deneb;
- The updating of carbon emission factors in line with international guidance; and
- The company's decision to include emissions produced by the mining contractor at HCI Coal in Scope 1 as opposed to Scope 3.

Where inter-year comparisons are made in the figures below, these are based on the restated 2017 figures in line with these changes.

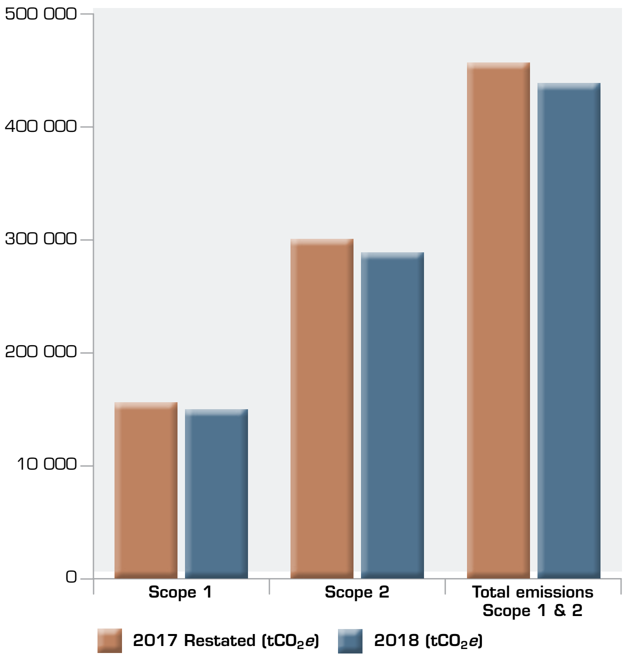
The largest carbon emitters in the HCI group are:

- The Deneb group - includes an industrial manufacturing division, textile manufacturing division as well as industrial properties. This year Deneb produced 13% of Scope 1 and 13% of Scope 2 emissions;
- Golden Arrow Bus Services ("GABS") - uses diesel to power its buses. It must be noted, however, that in the absence of the public transport provided by GABS, greater emissions would be generated if commuters were forced to use private transport. Every year GABS reduces it emissions by adding new, more fuel efficient buses to its fleet. This year GABS produced 55% of HCI's Scope 1 emissions;

- Tsogo Sun Holdings ("Tsogo") - uses electricity to run its hotels and gaming facilities. These are mostly Scope 2 emissions except when there are power outages leading to the use of diesel generators. Tsogo has made comprehensive efforts to reduce the use of electricity through energy saving devices, especially in the heating of water. This year, Tsogo produced 74% of HCI's Scope 2 emissions; and
- HCI Coal - uses diesel to power mining vehicles as well as certain elements in the mining process such as the crushing and screening plants. This year, HCI Coal produced 27% of HCI total Scope 1 emissions.

Each year the company tracks changes in carbon emissions, both as a matter of good practise and, in order to assess the success of our energy saving initiatives. HCI's total Scope 1 and 2 emissions for 2018 amount to 438 217 tonnes of CO2*e* (tCO_2e), which is a decrease of 4% compared with 2017.

Carbon emissions – 2017 and 2018 comparison



Scope 1 and 2 emissions decreased by the same proportion as represented in the table below:

	2017 Restated (tCO_2e)	2018 (tCO_2e)	Variance	% Change	% of Total Emissions
Scope 1 Emissions	155 721	149 874	-5 847	-4%	34%
Scope 2 Emissions	300 338	288 343	-11 994	-4%	66%
Scope 1 and 2 Emissions	456 058	438 217	-17 841	-4%	100%

The main reasons for these changes are as follows:

- Deneb reduced Scope 1 emissions by 21% and Scope 2 by 12% due to reduced production of textiles, as well as changes to the textile product mix;
- Galaxy Bingo and Vukani increased emissions as a result of an expanded footprint, especially in the case of Galaxy. These entities were absorbed into Tsogo during the year under review and will be include in Tsogo's emissions going forward;
- Golden Arrow Bus Services reduced their Scope 1 emissions by 1% and their Scope 2 emissions by 6%. Reduced Scope 1 emission reflect the addition of 96 new, more fuel efficient buses to the fleet as well as a slight reduction in distance travelled. The reduction in electricity use (Scope 2) reflects the installation of solar energy at two of the bus depots;
- HCI Coal increased Scope 1 emissions by 2% and reduced Scope 2 emissions by 15%. The reduction is electricity usage largely reflects a decrease in the usage of the wash plants during the year; and
- Tsogo Sun achieved a 9% reduction in Scope 1 due to a decrease in the use of generators at various properties as electricity outages declined throughout the country. Tsogo also reduced Scope 2 emissions by 3% through ongoing energy reduction initiatives.

Solar panels have been installed at several HCI company sites to reduce electricity use of sites and will be explored in other HCI companies going forward. The latest initiative in process, is the installation of structures to provide shade for the outdoor parking area at the Kalahari Village Mall in Upington. The shade structures will support solar panels which will be used to generate electricity for the Mall.

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

Water use and water discharge

South Africa is a water scarce country facing growing demands on our limited water resource. HCI takes its water conservation responsibilities seriously, reporting on both water use as well as water discharge from our various facilities. This year we have been particularly aware of water use in the Western Cape and have been directly involved in major efforts to save water in that region.

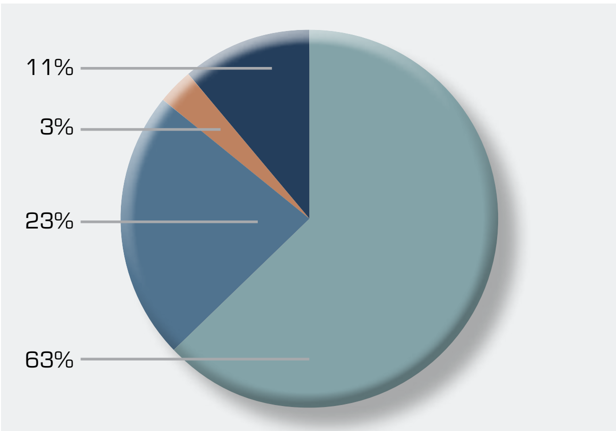
Water withdrawals reflect water drawn from any source. For most of our companies this consists of municipal supply. A number of adjustments were made to the 2017 data for comparative purposes, in line with CDP rules.

Where inter-year comparisons are made in the figures below, these are based on restated 2017 figures.

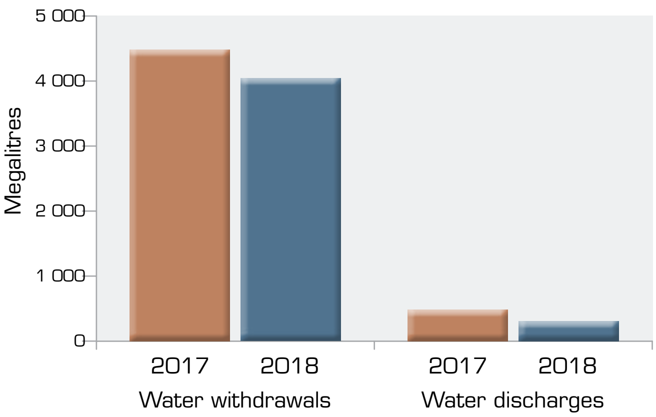
The major contributors to the water withdrawals for the year under review were Tsogo (63%), HCI Coal (23%) and Deneb (11%). HCI's total water withdrawals for the period amount to 4 043 megalitres, a decrease of over 8% compared to the prior period.

Deneb is the main source of water discharges within the HCI group. HCI's total water discharges totalled 313 megalitres, a decrease of 27% compared to 2017.

Water withdrawals – subsidiaries %



Water withdrawals and discharges



The reduction in both the water withdrawals and discharges reflects the following:

- The reduced production of textiles at Deneb;
- Water saving by all our Cape-based companies and especially by Tsogo and GABS; and
- Reduction in water discharges is almost entirely due to changes at the Textile Manufacturing division of Deneb.

The severe drought in the Western Cape has significantly affected the businesses and has also enabled HCI to learn important lessons about water use. HCI will continue to focus on this important area in the coming year.

CORPORATE SOCIAL INVESTMENT

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.

A more detailed report on the HCI Foundation, which is the corporate social investment arm of HCI, is on pages 49 to 53 . Information on the projects supported by the subsidiary companies are detailed in the integrated reports of these entities.

HCI aims to maintain a corporate social investment (CSI) spend of approximately 3.5% of its net free cash flow annually.

Dr ML Molefi
Chairperson: social and ethics committee
25 July 2018

HCI foundation

INTRODUCTION

HCI Foundation has been in operation since 2006 as the corporate social investment arm of HCI. Our primary focus is the upliftment of communities and individuals across South Africa so that more people can participate in an improved quality of life.

Through the relationships we build with our beneficiaries we aim to increase organizational capacity and stability and to generate partnerships amongst organisations for greater impact. Our three major focus areas include support for formal and informal education at all levels, youth empowerment, and environmental awareness and sustainability.

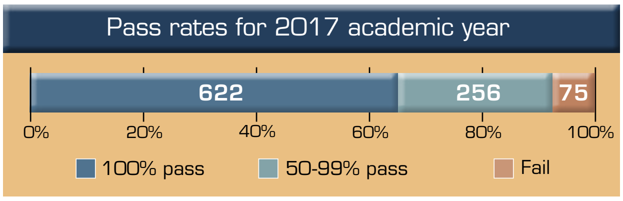
NATIONAL BURSARY PROGRAMME

The students on our National Bursary Programme continue to maintain excellent academic standards, despite challenging socio-economic backgrounds and a turbulent academic year in 2017 emanating from country wide student protests.

The relationships we build with our bursary recipients and the support we offer them when they join the Programme are key factors which contribute to their determination to succeed against the odds.

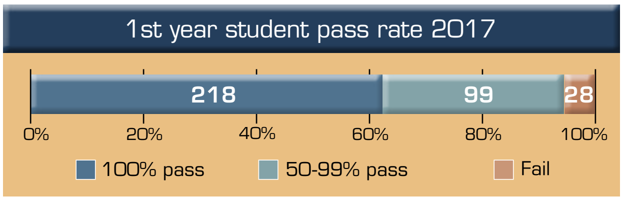
Overall academic performance 2017

We had a total of 953 students. 92% (878) passed at least 50% of their modules and progressed into the following year of study. Of these, 622 passed 100% of their modules, whilst 75 failed the year (8% of total).



Academic performance of first year students 2017

Whilst some experts speak of a 50% to 60% drop out rate of first year students, our experience is different with a 92% (317) pass rate at first year level. 63% (218) of our total passed 100% of their registered modules in 2017.



Graduates

In 2017, 137 (14.4%) students out of 953 graduated, with 68% obtaining bachelor's degrees. In 2016, 233 (24.6%) students out of 947 graduated. Our graduation numbers in 2017 show a dramatic 41% drop compared to the previous year.

This offers the starkest insight into the cost to the country of the disruptions that tertiary institutions experienced over the past three years. Many of our students chose to register for fewer modules, while others progressing into the following year of study carried over some of their previous year's modules and as a consequence have been unable to graduate on time.

We do, however, expect to see an improved graduation rate in the year 2018.

Student support

Bursary department staff evaluate applicants' commitment to their chosen course of study and to giving back to society. Successful applicants are linked to student peer mentors or HCI Company mentors: 302 students and 36 managers were involved in the mentoring programme in 2017.

"I met my mentor this week Tuesday, Sipho. We introduced ourselves and told each other a bit more about who we are. Everything went very well because we were also having a good connection since we're doing the same course. He truly understands me and I was comfortable talking to him. Thank you for choosing him as my mentor."

Asivile Tayiya, Nelson Mandela University

"Thank you to HCI for giving me an opportunity to learn. They changed my life in a positive way and also thanks to my mentor Mr Stephen to keep on helping me during my studies at university of Zululand from year 2010- 2012"

Nonhlanhla Mntambo,
HCI Foundation Graduate and former mentee in the HCI Company Mentoring Programme.

We engage with our bursary recipients throughout the year at themed interactive workshops to address challenges that may hinder their academic success and personal development. In 2017 we met 380 students spanning 15 universities at annual workshops and outreach events. Our themes were stress reduction and the mentoring relationship.

"This past year I chose to tutor mathematics and accounting. It was a wonderful experience to assist High School learners ... some of whom are now doing their first year (at University) in 2018. To change someone's life and to see them smile because of efforts to make community a better place, is the best feeling a human being could ever have."

Khumbulani Hlongwane.

Developing responsible leaders for society

During the course of their academic career, we build on our bursary recipients' awareness of the socio-economic challenges that affect South Africa. We emphasise the importance of ethical values and leadership and encourage them to base their personal, academic and professional success on these values.

We see the impact of inculcating these values in our bursary recipients through their continued commitment to giving back to society, using their skills, knowledge, time and energy both during and after their academic career.

Imbeleko Project

Scholars with Khumbulani

Khumbulani Hlongwane, 3rd Year B Com Accounting, UKZN Westville Campus is an ex Imbeleko scholar, currently a tutor, and an HCI Foundation bursary recipient.

Seventeen Imbeleko learners received HCI Foundation bursaries in 2017 and are now enrolled at tertiary institutions in KZN. They also tutor Imbeleko high school learners in rural areas on weekends as a way of giving back to their communities.

Creative Thinking Project

Together with a group of colleagues, Nozuko Myataza, one of the Bursary Department's alumni, has started an NGO called 'Creative Thinking' which has been working in Primary Schools in the Western Cape since 2015.

Creative Thinking workshop

Inspired by their own experience of the importance of education, members of the NGO are giving back by offering support to Primary School children through out-of-hours teaching in English, Maths and Science.

The organisation believes that effective learning empowers and inspires a level of confidence and independence in young children, laying the base for the development of future leaders.

Responsible entrepreneurs

In their entrepreneurial ventures, our alumni continue to live and spread the ethos of responsible citizenship they have learnt as students.

Reneilwe Maenetja, the founder of Pro-Fresh Training and Consulting Proprietary Limited, saw the challenges faced by Small and Medium-sized Enterprises ("SMEs") in the farming and agro-processing sector and informal market restaurants. She uses her experience and knowledge of the sector to help these small businesses to meet national food safety standards and achieve food safety compliance.

Concern about food safety, raised by the spread of Listeriosis in the country over past months, has strengthened Reneilwe's resolve to make food safety the primary concern of every small business owner in the agriculture and food industry.

"...not addressing the food safety issues will cripple our food security ...failure by our food producers to comply with the regulatory requirements is lowering their competitive advantage"

Reneilwe Maenetja is an HCI Foundation bursary alumnus. She is the founder of Pro-Fresh Training and Consulting (Pty) Ltd.

Graduate Development Programme

HCI Foundation launched its Graduate Development Programme at the end of 2017 in partnership with HCI and its subsidiary companies. The Programme aims to link graduates and alumni of the Bursary Programme to job and internship opportunities within the HCI group. It is anticipated that some of these graduates will develop into middle and senior managers within the group. The work experience gained through the programme will give all participants an advantage in the job market and thus increase their future employability.

Thandolwethu Nicholas Khobeni, HCI Foundation graduate and intern at HCI Properties.

"Working hand to hand with experienced Chartered Accountants is the best working experience I have ever had. I believe that HCI is a great company that is continuously growing and I feel fortunate to have the opportunity to be working in one of the divisions. During my time working for HCI, I have received enormous support from the HCI Foundation and HCI. My dream is to become a CA and I feel like it's attainable."

Looking ahead

Since the Presidential announcement in December 2017 of free higher education, the HCI Foundation has followed the implementation of Government's policy for free higher education closely. Whilst there is uncertainty about how this directive will be met in practice, it offers the HCI Bursary Programme an opportunity to re-think and re-structure the way we fund tertiary education and to find a new niche for the HCI investment.

This will require responsiveness and creativity on our part and is a challenge that we are ready to engage with positively.

COMMUNITY ENGAGEMENT

In 2017, the HCI Foundation's Community Engagement Programme has supported organisations driving change in their communities through innovative, effective and relevant solutions. The work of some of these organisations is highlighted below.

HACT Life skills workshop

Hillcrest AIDS Centre Trust ("HACT"), KwaZulu-Natal, invests in youth potential by putting young people in the forefront of driving change.

Mandise Shange

Seventeen year old Mandise Shange from Shongweni in rural KZN, has decided to roll up her sleeves and be counted amongst young people who forge paths of change in their communities. Mandise attends Thokoza Mnanga High School, one of six High Schools where the HACT runs its Peer Education programme.

As a Peer Educator, Mandise is a positive role model for her peers, educating them on HIV/AIDS, teenage pregnancy and the importance of protecting their health. Mandise also provides a safety net for those students who are vulnerable or at risk, offering them peer support and referring them to local service providers as needed.

Tshwane University of Technology ("TUT") / Ndumo Community Project, KwaZulu-Natal, works with young people to increase rural communities' awareness of the environment.

This project operates in the Ndumo Game Reserve and helps children and adults discover the value of the biodiversity of their natural environment, to understand their place within it, and to identify and nurture Africa's future conservation champions.


Ndumo Community Project

TUT Nature Conservation students are regularly placed at Ndumo as part of their studies. They create a circle of inspiration by investing their knowledge and skills in young people in the community. This intervention has resulted in the introduction of waste recycling in schools and the community, a reduced number of animals being killed for food on the game reserve and a better understanding of biodiversity.

Waterberg Welfare Society, Boys 2 Men ("B2M") Limpopo, aims to reduce high risk behaviour amongst young people.

Zachariah Sekhu, manager of the Boys2Men programme, works with young men to help them become agents of change in their communities. The programme supports young people as they navigate the many social challenges they face which limit their opportunities.

Provision of training on health-related matters and mentorship to a core team of young people, has helped build a group of young community champions, who in turn educate others like themselves. This strategy has proved to be effective in changing social behaviour and reducing the rate of HIV/AIDS infections, teenage pregnancies and violence. The B2M programme engages with young people as problem solvers rather than viewing them as the problem.

"Adolescents and young adults face unprecedented social, economic, and cultural challenges. We need to dedicate and create discussions around the critical topics by creating safe spaces for young people so that they create and design solutions for their future. Investing in young adults' health and wellbeing will not only transform the lives of young men and women in our communities, but it will also generate high economic returns."

Zachariah Sekhu


Waterberg workshop


Waterberg Waves Community Radio Station

Ray Mhlaba Skills Centre, Eastern Cape, empowers young people today for the future.

The Ray Mhlaba Skills Training Centre in Port Elizabeth, Eastern Cape, provides students with life skills as well as technical skills that enable them to be employable or start businesses. The skills acquired also benefit the families of students and the communities they come from.

Philani Siko, a graduate from the centre, decided to break the cycle of youth unemployment by starting his own business, Endinakho General Renovation Proprietary Limited. Philani dedicates some of his time to training

Ray Mhlaba Skills Training Centre

young people in the community in carpentry. He believes that to build a safe and self-reliant society, skills need to be shared with community members to increase economic participation opportunities whilst reducing social challenges.


Philani Siko

Imbeleko, KwaZulu-Natal, leads the way in co-creating effective individuals and communities.

Imbeleko provides a loving, caring, safe space for vulnerable children. The organisation offers in-school and out of school tutoring to 125 learners at 5 local High Schools and 100 learners at 4 Primary Schools. Mentorship up to tertiary level is also provided for High School students in eMaQadini / KwaNyuswa villages in the Valley of Thousand Hills.

Sbusisiwe Myeni, the founder of the organisation, asserts that providing children with a strong foundation in education gives them a better chance of reaching their full life potential. As with many of our other funded projects, some Imbeleko learners become HCI Foundation bursary recipients.

In addition, Imbeleko is embarking on a self-sustainability drive by creating a youth-led local economy for the KwaNyuswa community through Eco-Agri-Rural-Social Impact Tourism.


Imbeleko learners on their way to the centre


DUT and UKZN students' workshop

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 12 to 29 for an overview of operations for the year under review.

3. Dividends

Ordinary dividend number 56, in the amount of fifty cents per share, was paid to shareholders on 18 December 2017. Ordinary dividend number 57, in the amount of one hundred and ninety cents per share, was paid to shareholders on 25 June 2018.

4. Share capital

There was no change to the issued share capital of the company during the year under review. The issued share capital of the company is 92 814 648 ordinary shares of 25 cents each.

5. Directorate

Details of the directors of the company appear on the inside back cover. There were no changes to the directorate for the period under review.

6. Composition of the board

The board has assumed responsibility, in line with the board charter, for the composition of the board by ensuring diversity, gender parity, skills, knowledge and resources to effectively discharge its governance role and responsibilities and carry out all its duties. 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. There is a clear balance of power and authority at the board of directors' level.

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.

Committee member	No of board meetings	Attendance of members
VE Mphande (chair)	5	5
JA Copelyn	5	5
MSI Gani	5	5
TG Govender	5	4
FM Magugu	5	4
NP Mhlangu	5	5
ML Molefi	5	5
JG Ngcobo	5	5
Y Shaik	5	5
RD Watson	5	5

7. Gender diversity

The board of directors has adopted a policy on gender diversity at board level and agreed on voluntary targets. The board has surpassed its gender target of 25% women, all of which are women of colour.

8. Race diversity

The board of directors has adopted a policy on race diversity at board level. The voluntary target was set at a majority of members being people of colour. 90% of the members of the board are people of colour.

10. Company secretary

HCI Managerial Services Proprietary Limited held the office of the company cecretary for the twelve months ended 31 March 2018. The secretarial department is under the supervision of Cheryl Philip (FCIS) who is empowered, and authorised, to provide corporate governance services to the board and management. The board has evaluated the performance and independence of the company secretary during the period under review and it is satisfied that the company secretary is competent and has the appropriate qualifications and experience required by the group to administer the secretarial obligations of the company. The secretary has an 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.

11. Financial director

Mr TG Govender is the full time executive financial director of the company.

12. Auditors

Subject to shareholder approval Grant Thornton Johannesburg Partnership will continue in office in accordance with section 90 of the South African Companies Act for the 2019 financial year. Due to audit partner rotation, the directors have recommended that Mr Theunis Schoeman replace Mr Ben Frey as the designated auditor.

13. Auditor's report

The consolidated annual financial statements have been audited by Grant Thornton Johannesburg Partnership and their unqualified audit report on the 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.

14. 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 32.3% and 7.0% respectively. No shareholder has a controlling interest in the company.

15. Special resolutions

The following special resolutions were passed by the company's shareholders at the annual general meeting of shareholders held on 1 November 2017:

- 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 2017 until the next annual general meeting of the company; and
- Granting the company and the subsidiaries of the company a general authority contemplated in terms of 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.

16. Special resolutions of subsidiaries

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

17. Shareholding of directors

The shareholding of directors of the company and their participation in the share incentive scheme of the company as at 31 March 2018, are set out in the remuneration report on page 42.

18. Directors' emoluments

Directors' emoluments incurred by the company and its subsidiaries for the year ended 31 March 2018 are set out in the remuneration report on page 43 and in note 41 in the annual financial statements.

19. Subsidiaries

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

20. 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.

21. 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.

22. 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 2018.

23. Events subsequent to reporting date

Disposal of Tsogo Sun properties to HPF

Shareholders are referred to the cautionary announcements released on SENS by a subsidiary Tsogo Sun Holdings, on Friday, 2 March 2018, Wednesday 18 April 2018 and Thursday, 31 May 2018 regarding the proposed disposal of certain casino precinct properties to its subsidiary, Hospitality Property Fund ("HPF"; the "Proposed Transaction"). At the date of this report, the Proposed Transaction has not yet been concluded. If approved by Tsogo Sun shareholders and subsequently implemented, the Tsogo Sun group will have transferred a significant portion of its casino real estate assets to HPF. This follows the two strategic transactions concluded in 2016 and 2017, whereby a significant portion of the group's hotels properties were transferred to HPF. On conclusion of the Proposed Transaction, HPF is expected to own investment property with a fair market value of approximately R35 billion.

Proposed division of the Tsogo Sun group into a gaming division, hotel management division and property division

In addition to the Proposed Transaction, Tsogo Sun has announced its intention to divide its operations into three clear divisions, namely:

- Property division: HPF, an owner of investment properties with an approximate value of R35 billion, positioned in the hotel and gaming sectors.
- Gaming division: Tsogo Sun Gaming, consisting of its portfolio of traditional land-based casino operations and alternative gaming operations, consisting of Galaxy Bingo and the Vukani limited pay out operations.
- Hotel management division: Southern Sun Hotels, a hotel management company with a portfolio of over 90 hotels under management throughout South Africa, Sub-Saharan Africa, the Seychelles and the United Arab Emirates.

The group anticipates that the separation of Tsogo Sun into these three focused divisions, comprising gaming operations, hotel operations and property will unlock value and provide greater investment choice for Tsogo Sun shareholders. The above proposed division will be subject to various approvals and conditions and has not yet been concluded at the date of this report.

Acquisition by Tsogo Sun of the Grand Oasis Casino

As part of the acquisition of the gaming operations of a subsidiary, Niveus Investments, Tsogo Sun paid an amount of R95 million for the purchase of Niveus Invest 1 (which owns the Grand Oasis Casino) from Niveus Investments, which required the approvals by the Northern Cape Gambling Board. The approval was subsequently obtained on 15 June 2018 and the purchase concluded.

Listing of Hosken Passenger Logistics and Rail Limited and the unbundling of its shareholdings by La Concorde Holdings and Niveus Investments

On 13 April 2018, La Concorde Holdings Limited ("La Concorde"), a subsidiary of Niveus Investments Limited ("Niveus"), unbundled its holding of 38% of the issued share capital of Hosken Passenger Logistics and Rail Limited ("HPLAR") to its shareholders by way of a distribution in specie, pro rata to their respective holdings in La Concorde, resulting in Niveus Investments thereafter holding approximately 22% of the issued share capital in HPLAR. On 24 April 2018, HPLAR was listed on the Johannesburg Securities Exchange. Subsequently, on 30 April 2018, Niveus Investments unbundled its approximate 22% shareholding in HPLAR to its shareholders by way of a distribution in specie, pro rata to their respective holdings in Niveus. Following these unbundling of investments, HCI still remains the controlling shareholder of HPLAR with an effective shareholding of 73.5%.

VE Mphande	JA Copelyn
Chairman	Chief Executive Officer

25 July 2018
Cape Town

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 financial statements set out on pages 58 to 63 and the annual financial statements for the year ended 31 March 2018, 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 2018, which are available on the company website, were approved by the board of directors on 25 July 2018 and are signed on its behalf by:

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

25 July 2018
Cape Town

DECLARATION BY COMPANY SECRETARY

We certify that Hosken Consolidated Investments Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2018, 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

25 July 2018, Cape Town

SUMMARISED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited 31 March 2018 R'000	Audited 31 March 2017* R'000
ASSETS		
Non-current assets	**61 902 246**	61 845 515
Property, plant and equipment	**24 913 188**	25 127 835
Investment properties	**9 587 532**	8 510 174
Goodwill	**4 700 758**	4 785 158
Interest in associates and joint ventures	**1 719 947**	1 454 782
Other financial assets	**1 324 206**	1 275 663
Intangibles	**18 691 786**	19 605 686
Deferred taxation	**487 352**	379 252
Operating lease equalisation asset	**96 628**	80 393
Long-term receivables	**380 849**	626 572
Current assets	**8 090 494**	8 563 616
Inventories	**939 711**	955 733
Programme rights	**870 674**	866 244
Other financial assets	**18 317**	38 333
Trade and other receivables	**2 478 554**	2 541 697
Taxation	**59 433**	101 431
Bank balances and deposits	**3 723 805**	4 060 178
Disposal group assets held for sale	**329 473**	126 632
Total assets	**70 322 213**	70 535 763
EQUITY AND LIABILITIES		
Equity	**35 661 005**	36 119 875
Equity attributable to equity holders of the parent	**15 273 850**	15 755 603
Non-controlling interest	**20 387 155**	20 364 272
Non-current liabilities	**24 864 963**	22 868 060
Deferred taxation	**7 595 270**	8 081 558
Long-term borrowings	**16 275 305**	13 999 138
Operating lease equalisation liability	**242 094**	254 740
Provisions	**249 247**	278 496
Other	**503 047**	254 128
Current liabilities	**9 691 070**	11 543 748
Trade and other payables	**3 017 588**	3 210 411
Current portion of borrowings	**3 857 154**	5 194 588
Taxation	**171 331**	124 115
Provisions	**394 672**	335 905
Bank overdrafts	**2 033 702**	2 396 036
Other	**216 623**	282 693
Disposal group liabilities held for sale	**105 175**	4 080
Total equity and liabilities	**70 322 213**	70 535 763
Net asset carrying value per share (cents)	**17 785**	17 897

SUMMARISED FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT

	% change	**Audited 31 March 2018 R'000**	Audited 31 March 2017* R'000
Revenue		**14 960 540**	14 310 035
Net gaming win		**8 841 724**	8 805 745
Income	3,0	**23 802 264**	23 115 780
Expenses		**(17 516 637)**	(16 580 970)
EBITDA	(3,8)	**6 285 627**	6 534 810
Depreciation and amortisation		**(1 397 887)**	(1 377 634)
Operating profit		**4 887 740**	5 157 176
Investment income		**304 490**	266 792
Finance costs		**(1 797 766)**	(1 606 475)
Share of profits / (losses) of associates and joint ventures		**102 967**	(74 752)
Gain on bargain purchase		**-**	81 764
Investment surplus		**134 030**	88 663
Fair value adjustments of investment properties		**(72 604)**	941 655
Impairment reversals		**40 653**	-
Asset impairments		**(951 938)**	(25 134)
Fair value adjustments of financial instruments		**(23 690)**	-
Impairment of goodwill and investments		**(103 897)**	(33 159)
Profit before taxation	(47,5)	**2 519 985**	4 796 530
Taxation		**(441 132)**	(1 066 537)
Profit for the year from continuing operations		**2 078 853**	3 729 993
Discontinued operations		**(102 470)**	(455 516)
Profit for the year		**1 976 383**	3 274 477
Attributable to:			
Equity holders of the parent		**939 749**	1 237 909
Non-controlling interest		**1 036 634**	2 036 568
		1 976 383	3 274 477

**Restated*

SUMMARISED FINANCIAL STATEMENTS
RECONCILIATION OF HEADLINE EARNINGS

	% change	Audited 31 March 2018 R'000 Gross	Net	Audited 31 March 2017 R'000 Gross	Net
Earnings attributable to equity holders of the parent	(24,1)		**939 749**	-	1 237 909
Gain on bargain purchase		**-**	**-**	(81 764)	(35 463)
Impairment of goodwill		**31 299**	**13 415**	3 958	1 552
Loss on disposal of business assets		**-**	**-**	503 629	113 178
Gains on disposal of property		**(63 600)**	**(49 354)**	-	-
Losses on disposal of plant and equipment		**2 910**	**2 450**	5 660	1 575
Impairment of property, plant and equipment		**111 124**	**47 024**	7 655	1 788
Foreign currency translation reserve recycled		**(1 448)**	**(686)**	(253 799)	(216 292)
Losses from disposal/part disposal of subsidiary		**13 704**	**7 633**	405 186	391 839
Impairment of associates and joint arrangements		**72 598**	**31 237**	29 286	11 989
Reversal of impairment of assets		**(77)**	**(46)**	-	-
Profits on disposal of intangible assets		**(70 430)**	**(55 370)**	-	-
Impairment of intangible assets		**831 028**	**286 374**	8 281	2 639
Recycle of fair value reserves relating to available-for-sale financial instruments		**-**	**-**	(46 250)	(20 060)
Profits on disposal of investment property		**-**	**-**	(36 339)	(7 973)
Fair value adjustment to investment property		**72 604**	**(2 820)**	(941 655)	(258 748)
Impairment of non-current assets held for sale		**1 307**	**617**	-	-
Insurance claim for capital assets		**(30)**	**(18)**	-	-
Remeasurements included in equity-accounted earnings of associates and joint arrangements		**(60 371)**	**(56 663)**	82 992	82 077
Headline profit	(10,9)		**1 163 542**		1 306 010

	% change	2018	2017
Basic earnings per share (cents)			
Earnings	(19,0)	**1 062,91**	1 312,99
Continuing operations		**1 151,47**	1 593,47
Discontinued operations		**(88,56)**	(280,48)
Headline earnings	(5,0)	**1 316,04**	1 385,22
Continuing operations		**1 388,88**	1 357,29
Discontinued operations		**(72,84)**	27,93
Weighted average number of shares in issue ('000)		**88 412**	94 282
Actual number of share in issue at end of year (net of treasury shares) ('000)		**85 882**	88 034
Diluted earnings per share (cents)			
Earnings	(18,7)	**1 056,23**	1 298,47
Continuing operations		**1 144,24**	1 575,85
Discontinued operations		**(88,01)**	(277,38)
Headline earnings	(4,5)	**1 307,76**	1 369,90
Continuing operations		**1 380,14**	1 342,28
Discontinued operations		**(72,38)**	27,62
Weighted average number of shares in issue ('000)		**88 972**	95 336

SUMMARISED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Audited 31 March 2018 R'000	Audited 31 March 2017 R'000
Profit for the year	**1 976 383**	3 274 477
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences	**(192 785)**	(230 431)
Reclassification of foreign currency differences on disposal	**(1 448)**	(253 799)
Cash flow hedge reserve	**(54 906)**	(92 005)
Available-for-sale financial asset revaluations	**3 401**	(10 879)
Items that may not be reclassified subsequently to profit or loss		
Revaluation of land and buildings	**42 413**	-
Actuarial gains on post-employment benefit liability	**11 073**	580
Total comprehensive income	**1 784 131**	2 687 943
Attributable to:		
Equity holders of the parent	**803 795**	805 310
Non-controlling interest	**980 336**	1 882 633
	1 784 131	2 687 943

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Audited 31 March 2018 R'000	Audited 31 March 2017 R'000
Balance at beginning of year	**36 119 875**	32 928 450
Share capital and premium		
Treasury shares released	**32 179**	18 571
Shares repurchased	**(377 261)**	(1 727 194)
Current operations		
Total comprehensive income	**1 784 131**	2 687 943
Equity-settled share-based payments	**13 509**	13 084
Acquisition of subsidiaries	**1 536**	2 914 131
Disposal of subsidiaries	**7 688**	(319 422)
Effects of changes in holding	**(770 728)**	478 583
Dividends	**(1 149 924)**	(874 271)
Balance at the end of year	**35 661 005**	36 119 875

SUMMARISED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited 31 March 2018 R'000	Audited 31 March 2017 R'000
Cashflows from operating activities	**2 842 768**	3 337 138
Cash generated by operations	**6 795 004**	7 275 484
Net finance costs	**(1 596 864)**	(1 429 302)
Changes in working capital	**(237 466)**	(531 924)
Taxation paid	**(968 276)**	(970 155)
Dividends paid	**(1 149 630)**	(1 006 965)
Cashflows from investing activities	**(2 773 743)**	(3 202 455)
Business combinations and disposals	**(109 923)**	230 635
Investments acquired	**(425 581)**	(1 592 425)
Dividends received	**116 156**	63 387
Decrease in loans and receivables	**69 944**	359 869
Intangible assets		
- Additions	**(59 744)**	(32 788)
- Disposals	**85 004**	-
Investment properties		
- Additions	**(924 105)**	(617 768)
- Disposals	**27 811**	166 806
Property, plant and equipment		
- Additions	**(1 681 145)**	(1 854 710)
- Disposals	**127 840**	74 539
Cashflows from financing activities	**(11 176)**	1 060 825
Ordinary shares issued and treasury shares released	**26 616**	8 078
Ordinary shares repurchased	**(377 261)**	(438 070)
Other liabilities raised	**908**	5 756
Transactions with non-controlling shareholders	**(748 810)**	(930 813)
Net funding raised	**1 087 371**	2 415 874
Increase in cash and cash equivalents	**57 849**	1 195 508
Cash and cash equivalents		
At the beginning of the year	**1 673 363**	520 432
Foreign exchange differences	**(9 713)**	(42 577)
At the end of the year	**1 721 499**	1 673 363
Bank balances and deposits	**3 723 805**	4 060 178
Bank overdrafts	**(2 033 702)**	(2 396 036)
Cash in disposal groups held for sale	**31 396**	9 221
Cash and cash equivalents	**1 721 499**	1 673 363

SUMMARISED FINANCIAL STATEMENTS
SEGMENTAL ANALYSIS

	31 March 2018		31 March 2017*	
	Revenue R'000	**Net gaming win R'000**	Revenue R'000	Net gaming win R'000
Media and broadcasting	**2 196 250**	**-**	2 303 112	-
Gaming and hotels**	**6 067 285**	**8 841 724**	5 748 169	8 805 745
Transport	**1 808 472**	**-**	1 682 964	-
Properties	**503 354**	**-**	469 615	-
Mining	**1 202 161**	**-**	1 093 957	-
Branded products and manufacturing***	**3 158 125**	**-**	3 010 187	-
Other	**24 893**	**-**	2 031	-
Total	**14 960 540**	**8 841 724**	14 310 035	8 805 745

	EBITDA		**Profit before tax**	
	31 March 2018 R'000	31 March 2017* R'000	**31 March 2018 R'000**	31 March 2017* R'000
Media and broadcasting	**195 876**	428 075	**(21 278)**	248 790
Gaming and hotels**	**5 057 644**	5 068 557	**1 967 850**	4 018 672
Transport	**462 135**	447 851	**333 832**	331 566
Properties	**246 175**	225 234	**126 307**	265 257
Mining	**311 517**	244 452	**361 722**	142 212
Branded products and manufacturing***	**95 420**	242 445	**(596)**	148 583
Other	**(83 140)**	(121 804)	**(247 852)**	(358 550)
Total	**6 285 627**	6 534 810	**2 519 985**	4 796 530

	Headline earnings	
	31 March 2018 R'000	31 March 2017 R'000
Media and broadcasting	**16 519**	97 773
Gaming and hotels**	**1 028 882**	1 006 680
Information technology	**-**	4 970
Transport	**224 839**	230 134
Beverages	**-**	16 483
Properties	**64 850**	63 094
Mining	**168 791**	105 958
Branded products and manufacturing***	**(19 949)**	41 064
Other	**(320 390)**	(260 146)
Total	**1 163 542**	1 306 010

* *Restated*

** Non-casino gaming operations' results reclassified to the gaming and hotels segment in the current and prior year

*** Vehicle component manufacture operations' results reclassified to the branded products and manufacturing segment in the current and prior year

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The results for the year ended 31 March 2018 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 2018. 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).

DISCONTINUED OPERATIONS AND DISPOSAL GROUPS HELD FOR SALE

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 R263 million (31 March 2017: R54 million) and liabilities of R105 million (31 March 2017: R2 million) in disposal groups held for sale in the statement of financial position relate to these non-core operations.

Branded products and manufacturing

Deneb Investments resolved to rationalise the operations of Bergriver Textiles, all but the Gauteng-based business of Seartec and its branded sporting goods' international activities during the year. The results of these operations, which are included in the branded products and manufacturing segment, have been reclassified to discontinued operations in the current year and the prior year results restated for these.

Property, plant and equipment to the value of R1 million is held as disposal group assets held for sale.

Other

During March 2017 the group contracted to dispose of subsidiaries Jacaranda Royal Casino, VSlots Lesotho and VSlots Swaziland. The disposals were concluded in June 2017 and the results of these businesses included in discontinued operations in the current and prior years.

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 2018.

The results of discontinued operations were as follows (R'million):

Losses after taxes:

eMedia non-core operations	(R13m)
Niveus gaming assets	(R 8m)
Deneb textiles, automation and branded goods operations	(R81m)

Beverages

The group disposed of its interest in the business operations of La Concorde (previously KWV Holdings), included in the beverages segment in the prior year. The results of these operations were accordingly included in discontinued operations in the prior year.

Media and broadcasting and Other

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

Information technology

During the prior year the group disposed of its information technology operations (Syntell). The results of these operations were included in discontinued operations in the prior year in the income statement.

DISPOSALS

The group disposed of the following businesses during the current year:

- Jacaranda Royal Casino, VSlots Lesotho and VSlots Swaziland, effective June 2017, for an aggregate consideration of R24 million and at an aggregate loss of R18 million.
- Lalela Music and e.tv Botswana, effective June and September 2017, respectively, for total proceeds of R6 million, at an aggregate gain of R5 million.

BUSINESS COMBINATIONS

Branded products and manufacturing

Effective 31 December 2017 the group acquired 100% and 60% of the shares in New Just Fun Group and Oops Global SA, respectively, for a total consideration of R100 million. Goodwill of R35 million arose on acquisition, for which the purchase price allocation is provisional. New Just Fun Group is a local distributor of toys from leading toy brands. Oops Global SA is a company based in Switzerland, which specialises in the design, conception and sale of toys for children from birth to the age of five.

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 OF ANNUAL GENERAL MEETING FOR THE YEAR ENDED 31 MARCH 2018

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held on Monday 22nd October 2018 at 12:00 at the offices of the Company, Suite 801, 76 Regent Road, Sea Point, 8005. Registration will start at 11:30.

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 ("the board") 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 when persons must be recorded as shareholders in the securities register of the Company in order to be entitled to receive notice of the annual general meeting is Friday, 13 July 2018. The board determined that 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 Friday, 12 October 2018. Accordingly, only shareholders who are registered in the securities register of the Company on Friday, 12 October 2018 will be entitled to participate in and vote at the annual general meeting.

All shareholders are encouraged to attend, speak and vote at the annual general meeting and are entitled to appoint a proxy to attend, speak and vote at the meeting in place of the shareholder. The proxy duly appointed to act on behalf of a shareholder, need not also be a shareholder of the Company. In order to facilitate proceedings at the annual general meeting, shareholders intending to appoint a proxy are requested to do so as soon as is reasonably practical.

If you hold certificated shares (i.e. you have not dematerialised your shares in the Company) or are registered as an "own name" dematerialised shareholder (i.e. you 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 (Computershare Investor Services (Pty) Limited, 15 Biermann Avenue, Rosebank 2196 (PO Box 61051, Marshalltown, 2017), to be received by no later than 12h00 on 19 October 2018 for administrative purposes, or delivering such form by hand thereafter to the Company Secretary, before the proxy exercises any rights of the shareholder at the meeting; and/or
- you may participate in the annual general meeting by way of electronic participation as stipulated in this notice.

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 Wednesday, 17 October 2018. 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 use its reasonable endeavours to 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, Share Transactions Totally Electronic ("STRATE") held through a CSDP or broker (or their nominee) and are not registered as an "own name dematerialised shareholder", then you are not a registered shareholder of the Company, your CSDP or broker (or their nominee) would be. Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or broker, as the case may be:

- if you wish to participate in the annual general meeting (either being physically present at the meeting or by way of electronic participation), 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 in terms of STRATE 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 (Computershare Investor Services (Pty) Limited, 15 Biermann Avenue, Rosebank 2196 (PO Box 61051, Marshalltown, 2017) to be received by 12h00 on 19 October 2018 for administrative purposes, or delivering such form by hand thereafter to the Company Secretary, before the proxy exercises any rights of the shareholder at the meeting. In order to facilitate proceedings at the annual general meeting, shareholders intending to appoint a proxy are requested to do so as soon as is reasonably practical.

  In accordance with section 63(1) of the Act, 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.

Shareholders of the Company that are companies, that wish to participate in the annual general meeting, may authorise any person to act as its representative at the annual general meeting.

Voting at the annual general meeting

On a show of hands, every shareholder present in person (or by way of electronic participation) or represented by proxy at the annual general and entitled to vote, shall have only one vote irrespective of the number of shares such shareholder holds. On a poll, shareholders present in person (or by way of electronic participation) or represented by proxy at the annual general and entitled to vote, shall be entitled to 1 vote per ordinary share held by such shareholder.

Unless otherwise specifically provided in this notice of annual general meeting, for any of the ordinary resolutions to be adopted, 50% of the voting rights plus 1 vote exercised on each such ordinary resolution must be exercised in favour thereof. For any special resolutions to be adopted, at least 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 of which this notice of annual general meeting forms part, provides details of:

- the directors and management of the Company, including brief CVs of the directors nominated for re-election, on pages 32 and 33;
- the major shareholders of the Company on page 31;
- the directors' interests in securities on page 42; and
- the share capital of the Company in note 19 and an analysis of shareholders on page 30.

No-change statement

Other than the facts and developments reported on in the integrated annual report, there have been no material changes to the Company and its subsidiaries ("the group") financial or trading position, nor are there any legal or arbitration proceedings that may materially affect the financial position of the group between the signature date of the audit report and the date of this notice.

Director's responsibility statement

The directors, whose names appear on inside back cover of the integrated annual report, collectively and individually, accept full responsibility for the accuracy of the information given in this notice and certify that, to the best of their knowledge and belief, that there are no facts that have been omitted which would make any statement in this notice false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the annual report and this notice of annual general meeting contains all information required by the Listings Requirements of the JSE ("JSE Listings Requirements").

Purpose of annual general meeting

The purpose of the annual general meeting is for the following business to be transacted, and to consider and, if approved, to pass with or without modification, the following ordinary and special resolutions, in the manner required by the Company's memorandum of incorporation ("MOI"), the Act, as read with the JSE Listings Requirements.

1. **Presentation of the Audited Annual Financial Statements of the Company, including the reports of the directors, external auditors and the audit committee, for the year ended 31 March 2018**

   In terms of the Act, the audited annual financial statements of the Company (including the reports of the directors and the audit committee) for the year ended 31 March 2018 as approved by the board of directors will be presented to the shareholders of the Company.

   A summary of the annual financial statements of the group is set out on pages 58 to 63 of the integrated annual report, of which this notice of annual general meeting forms part. This summary is not exhaustive and the complete annual financial statements of the group should be read in their entirety for a full appreciation of their contents. The complete audited annual financial statements of the group, including the unmodified audit opinion, are available on HCI's website at www.hci.co.za. Alternatively, shareholders of the Company may request and obtain a copy of the complete annual financial statements of the group in person, at no charge, at the registered office of HCI (Suite 801, 76 Regent Road, Sea Point 8005) during office hours.

2. **Presentation of Social and Ethics Committee Report**

   In accordance with Regulation 43 of the Companies Regulations, 2011, the Company's Social and Ethics Committee report for the financial year ended 31 March 2018, prepared and approved by the Company's Social and Ethics Committee and set out on pages 45 to 48 of the integrated annual report, of which this notice of annual general meeting forms part, will be presented to the shareholders of the Company. Any specific questions to the Social and Ethics Committee may be sent to the Company Secretary prior to the annual general meeting.

3. **Ordinary resolution number 1 (1.1 to 1.4): Election of directors**

   3.1. Ordinary resolution number 1.1:
   Election of Mr TG Govender as director

   "Resolved that Mr TG Govender be and is hereby elected as a director of the Company."

   3.2. Ordinary resolution number 1.2:
   Election of Mr FM Magugu as director

   "Resolved that Mr FM Magugu be and is hereby elected as a director of the Company."

   3.3. Ordinary resolution number 1.3:
   Election of Dr ML Molefi as director

   "Resolved that Dr ML Molefi be and is hereby elected as a director of the Company."

   3.4. Ordinary resolution number 1.4:
   Election of Mr JG Ngcobo as director

   "Resolved that Mr JG Ngcobo be and is hereby elected as a director of the Company."

Explanatory Note

Mr TG Govender, Mr FM Magugu, Dr ML Molefi and Mr JG Ngcobo 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.

The board has considered the proposed election of Mr TG Govender, Mr FM Magugu, Dr ML Molefi and Mr JG Ngcobo and recommends that they be re-elected as directors of the Company.

Brief CV details of the abovementioned directors are on pages 32 and 33 of the integrated report, of which this notice of annual general meeting forms part.

The reason for ordinary resolution numbers 1.1 to 1.4 is to propose the re-election of Mr TG Govender, Mr FM Magugu, Dr ML Molefi and Mr JG Ngcobo who have retired as directors in accordance with the Company's MOI. These elections will be conducted by a series of separate votes in respect of each candidate.

Accordingly, the shareholders are requested to consider and if deemed fit, to re-elect Mr TG Govender, Mr FM Magugu, Dr ML Molefi and Mr JG Ngcobo by way of passing the ordinary resolutions set out above.

4. Ordinary resolution number 2: Re-appointment of auditors

"Resolved that Grant Thornton Partnership Johannesburg and Mr Schoeman, as designated auditor, is hereby appointed as the auditor to the Company for the ensuing year."

Explanatory Note

In terms of the Act, the Company, being a public company, must have its financial results audited and such auditor of the Company must each year at the Company's annual general meeting be appointed or re-appointed, as the case may be, as an external auditor. The Company's current external auditor is Grant Thornton Johannesburg Partnership, which has indicated that [Mr Schoeman] who is a director of the firm and a registered auditor and accredited with the JSE in accordance with the JSE Listings Requirements will undertake the audit.

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 2019 is Mr Schoeman.

5. Ordinary resolution number 3: Appointment of audit committee

5.1. Ordinary resolution number 3.1: Election of Mr MSI Gani as member of the audit committee

"Resolved that Mr MSI Gani be and is hereby appointed to the audit committee of the Company."

5.2. Ordinary resolution number 3.2: Election of Dr ML Molefi as member of the audit committee

"Resolved that Dr ML Molefi be and is hereby appointed to the audit committee of the Company."

5.3. Ordinary resolution number 3.3: Election of Mr JG Ngcobo as member of the audit committee

"Resolved that Mr JG Ngcobo be and is hereby appointed to the audit committee of the Company."

Explanatory Note

In terms of the Act, at each annual general meeting an audit committee comprising at least three members must be elected. It is proposed that the following independent non-executive directors be elected as members of the audit committee for the ensuing year. The board has considered the proposed appointment of Mr MSI Gani, Dr ML Molefi and Mr JG Ngcobo and recommends that they be appointed (or re-appointed, as the case may be) to the audit committee. The appointment of each member of the audit committee will be voted on separately.

The appointment of Dr ML Molefi and Mr JG Ngcobo to the Audit Committee is subject to the approval of resolutions 1.3 and 1.4 above, respectively.

Brief CV details of the abovementioned directors are on pages 32 and 33 of the integrated report, of which this notice of annual general meeting forms part.

6. Ordinary resolution number 4: General authority over authorised but unissued shares

"Resolved that, as required by the Company's MOI and subject to the provisions of the Act and the JSE Listings Requirements, the authorised but unissued shares in the Company be and are hereby placed under the control of the directors, subject to the provisions of the 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 one financial year, exceed 5%, being 4 294 113 ordinary shares, of the aggregate number of shares of the relevant class of shares in issue (excluding treasury shares), and such authority to endure until the next annual general meeting of the Company (whereupon this authority shall lapse, unless it is renewed at the aforementioned annual general meeting), provided that it shall not extend beyond 15 (fifteen) months of the date of this meeting until the next annual general meeting."

Explanatory Note

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 authorised but unissued ordinary shares and/or grant options over them on such terms and conditions and to such persons whether they be shareholders or not, as the directors in their discretion deem fit. The authority will be subject to the provisions of the Act and the JSE Listings Requirements. The board has decided to seek annual renewal of this authority from the shareholders of the Company in accordance with best practice. The board has no current plans to make use of this authority (other than in terms of the HCI employee share scheme), but wish to ensure, by having this authority in place, that the Company retains its flexibility in managing the group's capital resources and to enable the Company to take advantage of any business opportunity that may arise in the future.

7. **Non-Binding advisory votes: Advisory endorsement of the remuneration policy and implementation report**

7.1. Non-binding advisory vote 1:

"Resolved, by way of a non-binding advisory vote, that the Company's remuneration policy accompanying this notice of annual general meeting be accepted and endorsed".

7.2. Non-binding advisory vote 2:

"Resolved, by way of a non-binding advisory vote, that the Company's implementation report accompanying this notice of annual general meeting be accepted and endorsed".

Explanatory Note

In terms of Part 5.4, principle 14 (recommended practice 37) of the King IV Report on Corporate Governance in South Africa, 2016 ("King IV") the Company's remuneration policy and implementation report should be tabled to shareholders for separate non-binding advisory votes at the annual general meeting. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation. Furthermore, King IV recommends that the remuneration policy should record the measures that the board commits to in the event that either the remuneration policy or the implementation report, or both, have been voted against by 25% (twenty-five percent) or more of the voting rights exercised by the shareholders.

The shareholders are requested to separately endorse the Company's remuneration policy on pages 37 and 38 and the implementation report on pages 39 to 44 in the Remuneration Report, by way of separate non-binding advisory votes.

8. **Special resolution number 1: General authority to issue shares, options and convertible securities for cash**

"Resolved that, subject to the passing of ordinary resolution number 4, the provisions of the Act and the provisions of the JSE Listings Requirements, the directors be and are hereby authorised to allot and issue ordinary 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:

- the securities shall be of a class already in issue, or convertible into a class already in issue;
- 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;
- ordinary shares which are the subject of general issues for cash, in the aggregate, may not exceed 5% (five percent) of the Company's relevant number of ordinary shares in issue as at the date of this notice, constituting 4 294 113;
- any number of ordinary shares issued under the authority must be deducted from the number of ordinary shares authorised immediately above; and
- the maximum discount at which the shares may be issued shall be 10% (ten percent) of the weighted average traded price of the shares of the Company over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors of the Company;
- the Company shall publish such announcements (if any) as may be required by the JSE Listings Requirements pursuant to the issue of shares under this authority; and
- 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."

Explanatory Note

In terms of ordinary resolution number 4, the shareholders authorise the directors to allot and issue a portion of the authorised but unissued shares, as the directors in their discretion think fit. The existing general authority to issue shares for cash granted by the shareholders at the previous annual general meeting, held on 1 November 2017, will expire at this annual general meeting, unless renewed. The authority will be subject to the provisions of the Act and the JSE Listings Requirements. The aggregate number of ordinary shares capable of being allotted and issued for cash are limited as set out in the resolution. The directors consider it advantageous to renew this authority to enable the Company to take advantage of any business opportunity that may arise in future.

9. Special resolution number 2: Approval of annual fees to be paid to non-executive directors

"Resolved that for the period 1 November 2018 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 (excl VAT) R'000	New Proposed Fee (excl VAT) R'000
Board member	290,8	305,3
Member - audit committee	119,8	125,8
Member - remuneration committee	76,3	80,1
Member - social and ethics committee	87,7	92,0

Invitation Fee:

All non-executive directors who attend the committee meetings by invitation at the request of the board shall be eligible to receive up to a maximum of 50% of the fee as if they were a member of the committee, as determined by the board."

Explanatory Note

In terms of section 66(8) of the Act, the Company may pay remuneration to its directors for their services as directors. In terms of section 66(9) of the Act the remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the holders during the previous 2 (two) years.

10. Special resolution number 3: General authority to repurchase Company shares

"Resolved that the Company hereby approves, as a general approval contemplated in paragraph 5.72 of Section 5 of the JSE Listings Requirements, the repurchase by the Company or any of its subsidiaries from time to time of the issued ordinary 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 MOI, the provisions of the Act and the JSE Listings Requirements, as presently constituted and which may be amended from time to time, and provided further that:

- acquisitions by the Company and its subsidiaries of shares in the capital of the Company in terms of this general authority to repurchase shares may not, in the aggregate, exceed in any one financial year 20% (twenty percent) 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 repurchase shall be effected through the order book operated by the JSE trading system, without any prior understanding or arrangement between the Company and the counterparty;
- 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 repurchased 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 percent) 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 JSE Listings Requirements unless there is a repurchase programme in place and the dates and quantities of shares to be repurchased during the relevant period are fixed and full details thereof have been submitted to the JSE in writing prior to commencement of the prohibited period. The Company must instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by, the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;
- an announcement will be published as soon as the Company and/or its subsidiaries has/have acquired shares in terms of this authority constituting, on a cumulative basis, 3% (three per cent) of the initial number of shares of the class of shares in issue at the time that this general authority is granted

by the shareholders, and each time the Company acquires a further 3% (three per cent) of the initial number thereafter, which announcement(s) shall contain full details of such repurchases as required in terms of the JSE Listings Requirements; and

- a repurchase shall only be effected if the board of directors have at the time of the repurchase passed a resolution authorising the repurchase in terms of sections 48 and 46 of the Act and it reasonably appears that the Company and its subsidiaries have satisfied the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Company and its subsidiaries."

Explanatory note

The reason for special resolution number 3 is to grant the directors of the Company and/or subsidiaries of the Company a general authority in terms of the Act and the JSE Listings Requirements to acquire the Company's ordinary shares, subject to the terms and conditions set out in the special resolution. The directors require that such general authority should be implemented in order to facilitate the repurchase of the Company's ordinary shares in circumstances where the directors consider this to be appropriate and in the best interests of the Company and its shareholders.

Director's statement:

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

- 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 and the opportunity presents itself to do so during the year, which the board deems to be in the best interest of the Company and its shareholders, taking prevailing marketing conditions and other factors into account;
- 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 repurchase will take place, the directors of the Company will only make the repurchase if at the time of the repurchase they are of the opinion that the following conditions have been and will be met:
  - the Company and the group will be able to pay their debts for a period of 12 (twelve) months after the date of this notice of the annual general meeting;
  - the assets of the Company and the group are to be in excess of the liabilities of the Company and group for a period of 12 (twelve) months after the date of this notice of annual general meeting (for this purpose the assets and liabilities are recognised and measured in accordance with the accounting policies used in the audited financial statements for the year ended 31 March 2018);
  - the share capital and reserves of the Company and the group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of this notice of the annual general meeting;
  - the working capital of the Company and the group are adequate for the ordinary business purposes for a period of 12 (twelve) months after the date of approval of this notice of the annual general meeting; and
  - resolution being passed by the board that it authorised the repurchase of shares, that the Company and its subsidiaries have passed the solvency and liquidity test and that since the test was performed there have been no material changes to the financial position of the group.

The authority granted in terms of this Special Resolution number 3 is limited to paragraph 5.72(a), (c), (d) and paragraph 5.68 of the JSE Listings Requirements.

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of this general authority:

- major beneficial shareholders – page 31 of the document of which this notice of annual general meeting forms part; and
- share capital of the Company – page 30 of the document of which this notice of annual general meeting forms part.

11. Special resolution number 4: Shareholders' general authorisation of financial assistance

"Resolved that, to the extent required by sections 44 and 45 of the Act, the board of directors of the Company may, subject to compliance with the requirements of the Company's MOI and the Act, each as presently constituted and as amended from time to time, authorise the Company to provide direct or indirect financial assistance by way of a loan, guarantee, the provision of security or otherwise, to;

11.1. any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company; and/or

11.2. any of its present or future subsidiaries and/or any other company or corporation that is or becomes related to or inter-related with the Company for any purpose or in connection with any matter; and/or

11.3. any of the present or future directors or prescribed officers (or any person related to any of them or to any company or entity related or inter-related to any of them), or to any other person who is or may be a participant in any of the HCI employee share scheme, current or future employee share plans or other incentive schemes, or any share scheme trust or other entity facilitating any such scheme, for the purpose of, or in connection with, the subscription for any option, or any securities, issued or to be issued by the company or a related or inter-related company or entity or for the purchase of any securities of the company or a related or inter-related company, where such financial assistance is provided in terms of any such plan or scheme that does not constitute an employee share scheme that satisfies the requirements of section 97 of the Act.

The financial assistance may be provided at any time during the period commencing on the date of the adoption of this resolution and ending 2 (two) years after such date."

Explanatory Note

As part of the normal conduct of the business of the Company and its subsidiaries from time to time, the company, where necessary, provides financial assistance to its related and inter-related companies and entities (as contemplated in the Act) including the provision of guarantees and other forms of security to third parties which provide funding to the company's subsidiaries, whether by way of loans, subscribing for shares (including preference shares) or otherwise. In the circumstances and in order to ensure that, among other things, the company and its subsidiaries and other related and inter-related companies and entities continue to have access to, and are able to appropriately structure their financing for purposes of funding their corporate and working capital requirements, it is necessary that the company obtains the approval of shareholders in terms of this special resolution number 4.

The Company may furthermore wish to provide financial assistance to its subsidiaries and other related and inter-related companies and corporations including pursuant to the Company's employee and other share schemes.

Sections 44 and 45 of the Companies Act provide that the financial assistance required can only be provided pursuant to a special resolution of the shareholders, adopted within the previous two years, which resolution must have approved such financial assistance either for the specific recipient or generally for a category of potential recipients (and the specific recipient falls within that category), and the directors must be satisfied that:

- immediately after providing the financial assistance, the company will satisfy the solvency and liquidity test as defined in section 4 of the Act; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

The passing of this special resolution number 4 will have the effect of authorising the Company to provide direct or indirect financial assistance in accordance with sections 44 and 45 of the Companies Act, for a period of two years after the adoption of this resolution.

12. Ordinary Resolution number 5: Directors' authority to implement Company resolutions

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

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

By order of the Board

25 July 2018

Cape Town

CORPORATE ADMINISTRATION

HOSKEN CONSOLIDATED INVESTMENTS LIMITED

COMPANY REGISTRATION NUMBER:	1973/007111/06
SHARE CODE:	HCI ISIN: ZAE000003257
REGISTERED OFFICE:	Suite 801, 76 Regent Road, Sea Point, Cape Town 8005 PO Box 5251, Cape Town, 8000 Telephone: 021 481 7560
WEBSITE ADDRESS:	www.hci.co.za
COMPANY SECRETARY:	HCI Managerial Services Proprietary Limited
DIRECTORS:	*Executive Directors* John Anthony Copelyn (Chief Executive Officer) Theventheran Govindsamy Govender [Kevin] (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
AUDITORS:	Grant Thornton Johannesburg Partnership @Grant Thornton, Wanderers Office Park, 52 Corlett Drive, Illovo, 2196 Private Bag X10046, Sandton, 2146
BANKERS:	First National Bank of Southern Africa Limited
TRANSFER SECRETARIES:	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 South Africa PO Box 61051, Marshalltown, 2107
SPONSOR:	Investec Bank Limited 100 Grayston Drive, Sandton, Sandown, 2196

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INTEGRATED ANNUAL REPORT

2018