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* Non-executive
Independent non-executive

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www.hci.co.za

COMPANY REGISTRATION NUMBER

1973/007111/06

SHARE CODE

HCI ISIN: ZAE000003257

COMPANY SECRETARY AND REGISTERED OFFICE

HCI Managerial Services (Pty) Limited
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42 Wierda Road West,
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BANKERS

First National Bank of Southern Africa Limited

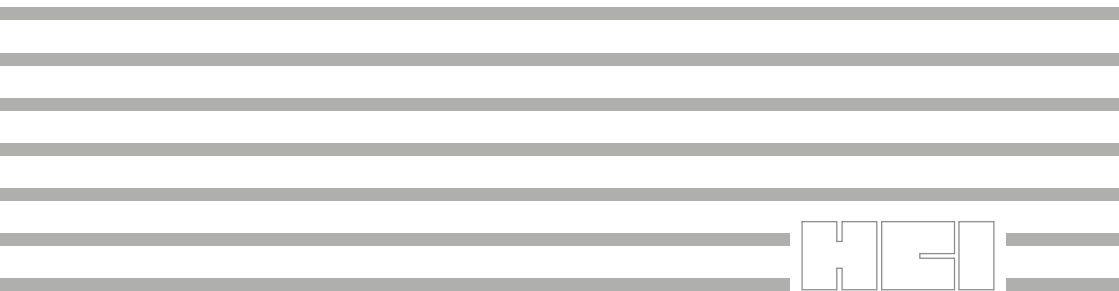
SPONSOR

Investec Bank Limited
100 Grayston Drive
Sandton, Sandown, 2196

TRANSFER SECRETARIES

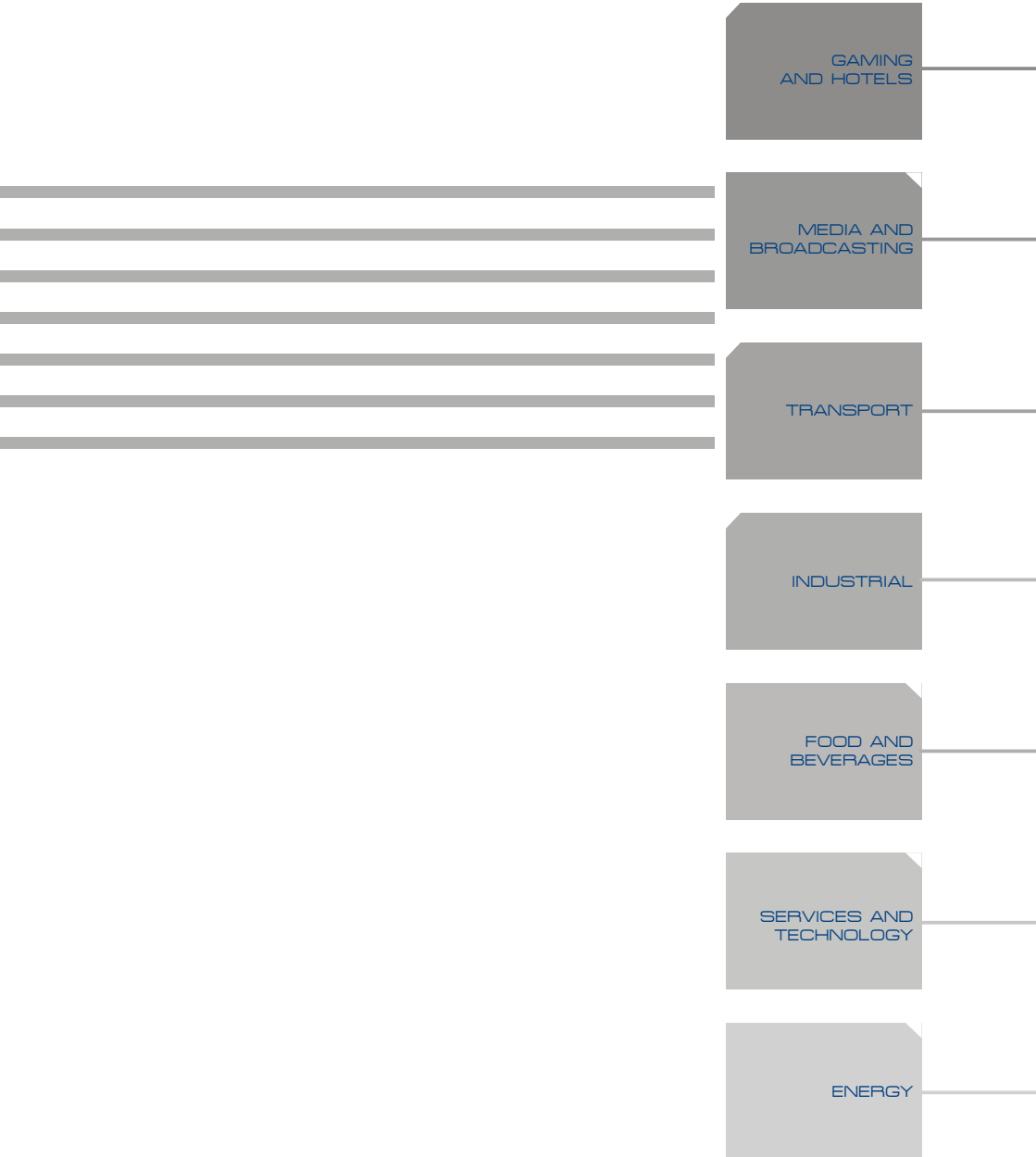
Computershare Investor Services Limited
8th Floor, 11 Diagonal Street
Johannesburg, 2001

P O Box 1053
Johannesburg, 2000



Business Segments

as at 14 May 2009





Tsogo Investment Holding Company
74.7%



Vukani Gaming Corporation
100%



e.tv
63%



Yired
63%



e sat.tv
Communications
63%



Golden Arrow Bus Service
100%



Gallagher
100%

PROPERTY AND EXHIBITIONS



Formex Engineering
90%



Johnson Access
85%



Clover
44%



Seardel Limited
70%

CLOTHING AND TEXTILES



Business Systems Group (Africa)
40%



Syntell
55%



Isilumko
30.1%



Limtech
58.9%



Montauk Energy Capital
91.5%



HCL Khusela Coal
80%

Abridged Consolidated Income Statement

	31 March 2009	31 March 2008
	R'000	R'000
	(reviewed)	(audited)
Revenue	8 059 441	5 427 667
Net gaming win	3 468 702	3 392 232
Income	11 528 143	8 819 899
Expenses	(8 256 173)	(5 665 330)
EBIDTA	3 271 970	3 154 569
Depreciation and amortisation	(642 079)	(495 626)
Operating profit	2 629 891	2 658 943
Investment income	126 760	111 985
Finance costs	(722 350)	(344 470)
Share of profits of associates and joint ventures	68 196	188 036
Negative goodwill released	876 023	4 885
Investment surplus	49 778	83 884
Fair value adjustments of investment properties	(15 608)	29 171
Other impairment reversals	4 070	30 175
Asset impairments	(72 517)	-
Fair value adjustments of financial instruments	(225 148)	(57 956)
Impairment of goodwill and investments	(73 594)	(12 422)
Profit before taxation	2 645 501	2 692 231
Taxation	(776 762)	(859 336)
Profit for the year from continuing operations	1 868 739	1 832 895
Discontinued operations	14 552	6 133
Profit for the year	1 883 291	1 839 028
Attributable to:		
Equity holders of the parent	1 110 488	871 855
Minority interest	772 803	967 173
	1 883 291	1 839 028

Reconciliation of Headline Earnings

Reconciliation of headline earnings	2009		2008	
	Gross R'000	Net R'000	Gross R'000	Net R'000
Earnings attributable to equity holders of the parent	-	1 110 488	-	871 855
IAS 16 gains on disposal of property	-	-	(38 898)	(10 418)
IAS 16 gains / (losses) on disposal of plant and equipment	(13 083)	(2 731)	403	967
IAS 16 impairment of plant and equipment	72 517	49 307	2 500	264
IAS 38 impairment of intangible assets	861	472	-	-
IAS 39 impairment of investments	-	-	7 534	5 752
IFRS 3 impairment of goodwill	12 106	12 106	4 888	4 888
IFRS 3 negative goodwill	(876 023)	(873 551)	(4 885)	(2 613)
IFRS 3 excess of fair value of assets of an associate	-	-	4 489	1 533
IAS 28 gain on disposal of associates	(9 972)	(8 840)	(75 394)	(59 855)
IAS 28 impairment of joint venture	59 999	47 521	-	-
IAS 36 reversal of impairments	(4 070)	(4 070)	(30 175)	(19 306)
IAS 27 profit from disposal / part of subsidiary	(39 805)	(24 706)	(7 209)	(7 209)
IAS 40 fair adjustment to investment property	15 608	11 090	(29 171)	(24 519)
Remeasurements included in equity-accounted earnings of associates	-	-	(71 799)	(71 799)
Headline profit		317 086		689 540
Earnings per share (cents)				
- Basic		890.58		702.10
- Headline		254.30		555.28
Weighted average number of shares in issue ('000)		124 692		124 179
Actual number of share in issue at end of period (net of treasury shares) ('000)		124 909		123 896
Diluted earnings per share (cents)				
- Basic		869.09		684.86
- Headline		248.16		541.65
Weighted average number of shares in issue ('000)		127 776		127 304

Abridged Consolidated Balance Sheet

	31 March 2009	31 March 2008
	R'000	R'000
	(reviewed)	(audited)
ASSETS		
Non-current assets	14 006 932	9 714 163
Property, plant and equipment	9 548 618	6 885 818
Investment properties	166 937	182 665
Goodwill	1 263 883	846 098
Interest in associates and joint ventures	1 960 894	753 567
Other financial assets	63 752	353 159
Intangibles	429 409	305 405
Finance lease receivables	35 412	-
Deferred taxation	343 446	255 004
Operating lease equalisation asset	4 970	4 980
Long-term receivables	189 611	127 467
Current assets	4 045 127	2 527 587
Other	3 149 773	1 854 597
Bank balances and deposits	895 354	672 990
Non-current assets held for sale	26 972	3 855 894
Total assets	18 079 031	16 097 644
EQUITY AND LIABILITIES		
Equity	7 619 925	6 232 034
Equity attributable to equity holders of the parent	4 211 289	2 940 494
Minority interest	3 408 636	3 291 540
Non-current liabilities	6 118 617	3 181 381
Deferred taxation	684 909	511 902
Long-term borrowings	4 937 437	2 259 258
Operating lease equalisation liability	262 067	279 521
Other	234 204	130 700
Current liabilities	4 340 489	2 920 044
Non-current liabilities held for sale	-	3 764 185
Total equity and liabilities	18 079 031	16 097 644
Net asset value carrying per share (cents)	3 371	2 373

Consolidated Statement of Changes in Equity

	31 March 2009 R'000 (reviewed)	31 March 2008 R'000 (audited)
Balance at beginning of year	6 232 034	4 937 311
Share capital and premium		
Shares issued	79 102	42 500
Shares repurchased	-	(67 000)
Treasury shares released	3 620	1 441
Treasury shares acquired by subsidiary	(22 950)	(27 333)
Current operations		
Profit for the year	1 883 291	1 839 028
Equity settled share-based payments	2 629	1 816
Transfers to profit and loss	-	(5 621)
Revaluations	274 554	20 656
Foreign currency translation differences	144 242	127 590
Hedging	(21 819)	(19 427)
Minority interest on acquisition of subsidiaries	437 101	23 440
Effects of changes in holding	(533 819)	(258 684)
Capital reductions and dividends	(858 060)	(383 683)
Balance at end of year	7 619 925	6 232 034

Abridged Consolidated Cashflow Statement

	31 March 2009 R'000 (reviewed)	31 March 2008 R'000 (audited)
Cashflows from operating activities	891 554	1 823 373
Cashflows from investing activities	(4 041 064)	(1 593 668)
Cashflows from financing activities	3 073 810	(335 264)
(Decrease) in cash and cash equivalents	(75 700)	(105 559)
Cash and cash equivalents		
At beginning of period	621 719	710 445
Foreign exchange differences	3 679	16 833
At end of period	549 698	621 719
Bank balances and deposits	895 354	722 266
Bank overdrafts	(345 656)	(100 547)
Cash and cash equivalents	549 698	621 719

Segmental Analysis

	31 March 2009		31 March 2008	
	R'000		R'000	
	Revenue	Net gaming win	Revenue	Net gaming win
Media and broadcasting	1 504 367	-	1 175 169	-
Limited payout gaming	10 534	225 226	3 075	169 242
Casino gaming	639 427	3 243 476	610 122	3 222 990
Hotels	2 037 375	-	1 665 645	-
Information technology	220 582	-	204 662	-
Transport	938 789	-	782 416	-
Industrial	902 021	-	737 041	-
Exhibition and properties	60 553	-	49 824	-
Mining	6 409	-	-	-
Natural gas	220 994	-	177 357	-
Clothing and textile	1 494 828	-	-	-
Other	23 562	-	22 356	-
Total	8 059 441	3 468 702	5 427 667	3 392 232

Segmental Analysis Continued

	Profit before tax		Headline profit	
	31 March	31 March	31 March	31 March
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
Media and broadcasting	466 392	459 698	179 833	174 081
Financial services	-	38 310	(253)	(6 950)
Limited payout gaming	(7 350)	11 656	(15 007)	6 649
Casino gaming	1 012 942	1 312 303	266 904	273 943
Hotels	641 602	600 407	126 849	136 971
Information technology	40 009	45 705	17 020	14 932
Transport	92 418	116 905	71 077	84 578
Industrial	3 444	37 550	(4 622)	30 542
Food and beverage	(2 398)	129 802	(2 398)	64 322
Exhibition and properties	13 077	40 874	29 498	19 357
Mining	(19 380)	(9 187)	(19 380)	(3 205)
Natural gas	(189 586)	(98 732)	(78 903)	(33 344)
Clothing and textile	(169 401)	-	(55 070)	-
Other*	763 732	6 940	(198 462)	(72 336)
Total	2 645 501	2 692 231	317 086	689 540

* Profit before tax includes investment surplus and negative goodwill

EBITDA

	31 March 2009	31 March 2008
	R'000	R'000
Media and broadcasting	568 427	481 567
Limited payout gaming	28 584	30 611
Casino gaming	1 655 232	1 618 132
Hotels	790 568	647 600
Information technology	55 239	50 970
Transport	168 423	174 049
Industrial	28 363	76 099
Exhibition and properties	31 941	36 995
Mining	(22 810)	(3 948)
Natural gas	79 615	50 434
Clothing and textile	(44 298)	-
Other	(67 314)	(7 940)
Total	3 271 970	3 154 569

Notes to The Abridged Consolidated Financial Statements

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The results for the year ended 31 March 2009 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically IAS 34, Interim Financial Reporting, and comply with the requirements of the South African Companies Act, 1973 and the Listings Requirements of the JSE Limited. The accounting policies of the group are consistent with those applied for the year ended 31 March 2008. As required by the JSE Limited Listings Requirements, the group reports headline earnings in accordance with Circular 8/2007 Headline Earnings as issued by the South African Institute of Chartered Accountants.

Business combinations

During the year under review the group acquired control of the following entities:

Hotels segment

Cullinan Hotel (Pty) Limited (50% on 1 April 2008)

Industrial segment

Stainless Precision

Components (Pty) Limited (100% on 1 October 2008)

Limited payout gaming segment

Luck Holdings (Pty) Limited (100% on 1 October 2008)

Clothing and textiles segment

Seardel Investment

Corporation Limited (70% on 1 November 2008)

The group had previously equity accounted Cullinan Hotel (Pty) Limited.

The acquired businesses contributed revenues of R1 684 million and losses after tax of R137 million to the group for the periods from dates of effective control to 31 March 2009. Had the acquisitions been effective on 1 April 2008 the contribution to revenue would have been R3 106 million and the contribution to profit after tax would have been R289 million of losses.

The details of the net assets acquired and goodwill at acquisition on business combinations is as follows:

	R'000
Non-current assets	1 682 823
Current assets	2 075 306
Non-current liabilities	(290 949)
Current liabilities	<u>(1 780 859)</u>
	1 686 321
Minority	(619 067)
Existing share of net	
assets before business combinations	<u>(216 892)</u>
Net assets acquired	850 362
Goodwill arising on acquisitions	69 628
Negative goodwill arising on acquisitions	<u>(876 023)</u>
Purchase price	43 967
Cash contributed by minority	(50 678)
Net cash over drafts on acquisition	299 130
Net cash paid	<u>292 420</u>

Discontinued operations and non-current assets held for sale

Discontinued operations as disclosed in the group income statement relates to the following:

- The convention business of Gallagher Estates which the group has been ordered by the Competition Commission to dispose of. The group is currently awaiting the Commission's response to proposals by the group regarding the manner of disposal; and
- The financial services companies of the Mettle Group which were disposed of during the year.

The non-current assets held for sale, as disclosed in the group balance sheet, relate to the following:

- A subsidiary of Johnnic Holdings USA, Montauk Energy Capital LLC, has taken a decision to dispose of certain of its non-material passive landfill sites in the next 12 months; and
- Certain assets of the Seardel Group which has been committed to being disposed of.

OVERVIEW OF RESULTS

Group results

The group results reflect an overall increase of 27% in basic earnings attributable to HCl shareholders and a decline of 54% in headline earnings. These results have been somewhat skewed by the occurrence of the following once off non-recurring events:

- Fair value losses incurred due to the mark to market of Tsogo Sun's initial investment in Gold Reef Resorts;
- Fair value losses resulting from the collapse of Lehman Brothers resulting in impairment of natural gas put options held by Montauk; and
- the consolidation of the Seardel Group, who have reported significant losses for the period under review. HCl has structured its exposure to this company on a basis of limiting its downside to R50 million while retaining 80% of the upside.

Growth in the media businesses together with the first time consolidation of Seardel and the Cullinan Hotel were the most significant drivers of growth in revenue with the growth in trading expenses being largely in line with growth in revenue, the result of which has been a marginal increase in EBITDA despite the negative impact of the acquisition of Seardel. The increase in depreciation and amortisation largely reflects the group's increased level of investment in fixed assets.

Finance costs for the year have increased significantly primarily as a result of the increased level of group borrowings. The decrease in the group's share of the profits of associates has decreased as a result of the results of the Cullinan, previously accounted for as an associate, now being consolidated; and the group's current year share (R2,3 million) of the loss of Clover Industries Limited compared to the group's share (R129 million) of its profits in the prior year.

Negative goodwill released relates primarily to the excess value of the assets over the purchase price in Seardel.

Included in investment surplus are the profits on the disposal of the financial services businesses in the Mettle Group of companies and a purchase price adjustment in respect of the group's disposal of its interest in Africa on Air (Pty) Limited in the 2004 financial year.

Asset impairments relate primarily to property, plant and equipment impaired by Seardel.

The fair value adjustments of financial instruments relates primarily to the following:

- R132 million fair value losses charged by Tsogo Sun to its income statement. These fair value losses relate to the mark to market of Tsogo Sun's initial 5% investment in the issued share capital of Gold Reef Resorts Limited ("GRR"). These losses remain in headline earnings. Following the acquisition by Tsogo Sun of a further 18% interest in GRR the investment has been accounted for as an associate, with Tsogo Sun holding a 23% interest in GRR at year end.
- The group's USA subsidiary Montauk Energy Corporation LLC ("MEC") had as part of its price hedging strategy purchased natural gas price put contracts from Lehman Brothers Commodity Services, Inc. ("LBCS"). On 3 October 2008 LBCS filed a petition in the United States Bankruptcy Court seeking relief under Chapter Eleven of the United States Bankruptcy Code, triggering default under the terms of the contracts. On 8 October 2008 MEC exercised its right under the terms of the contracts to terminate the remaining put option contracts with LBCS and claim early termination damages from LBCS of approximately US\$6.6 million. The bankruptcy filing of LBCS was the culmination of publicised defaults by LBCS relating to other third party claims prior to 30 September 2008. As a result of the uncertainty that existed at 30 September 2008 relating to the creditworthiness of LBCS, MEC has effectively, as of 1 April 2008, discontinued the hedge accounting that had previously been applied to the LBCS put contracts and as at 30 September 2008,

fully impaired the carrying value of the LBCS put contracts. The total pre-tax loss recognised by MEC relating to the LBCS hedges amounted to approximately US\$8.6 million (R76 million) which remains in headline earnings.

The impairment of goodwill and investments relates primarily to the impairment by MEC of its investment in the Magellan joint venture, by an amount of R60 million, which has continued to produce losses.

The net result of all of the above has been a 54% drop in headline earnings to 255 cents per share while basic earnings per share increased 26% to 890 cents per share with negative goodwill released being the main contributing difference between the basic and headline earnings.

Group balance sheet

As stated above the group has consolidated Seardel for the first time, as a result of which the group's assets have increased by R2,6 billion with liabilities increasing by R1,2 billion and attributable group equity increasing by R1,26 billion largely due to the negative goodwill released through the income statement on the acquisition of Seardel. The group has also raised significant amounts of borrowings to fund its acquisitions of the remaining Johnnic minorities and its investment in Gold Reef Resorts, which is in line with its strategy to grow the gaming and hotel businesses. As part of the consideration paid to the Johnnic minorities, 1 005 744 shares were issued.

INVESTMENTS

Media and Broadcasting

Sabido Investments (Pty) Limited ("Sabido")

Sabido has performed very well despite the general decline in economic activity. Television adspend continues to increase over the period, albeit at a slower rate. e.tv continued a steady gain in market share of that spend. Its audience share likewise continues to creep up slowly. A key part of Sabido's results is also

the performance of the eNews channel which has been operating for almost a year now. While e.tv took some five years to become profitable, it is expected that e.News will turn positive in the near future. It is a credit to the broadcast skills that have been developed in e.tv that the news channel was able to emerge, broadcasting 24 hours a day live news without any noticeable glitches. Costs across all media operations, as always, have been tightly controlled and all foreign currency obligations completely hedged.

Gaming, Hotels and Leisure

Tsogo Sun Holdings (Pty) Limited ("Tsogo Sun")

The financial results for the year to 31 March 2009 represents a solid performance with growth in group revenue to R5 921 million (8% above the prior year) and EBITDAR of R2 623 million (2%) despite the economic slow down impacting hotels and gaming and the reduction of the Montecasino market share in Gauteng as a result of the opening of Silverstar Casino on the West Rand of Johannesburg.

In South Africa, different markets have experienced differing results with the Western and Eastern Cape most severely impacted. However, the overall casino industry has continued to grow.

The contraction in the local economy has pressurised the South African tourism and hospitality industry in the second half of the financial year. After a number of years of unprecedented growth in room rates and rooms sold, demand in the key corporate, leisure and special tour operators ("STO") markets has declined significantly. To date, the government, group and conference segments have maintained prior year levels.

Importantly, the three major sporting events in the first half of the 2010 financial year, including the IPL cricket tournament, the British and Irish Lions Tour and the Confederations Cup will assist occupancies and ensure the group is well prepared for the FIFA World Cup in 2010.

Commentary Continued

A segmental analysis of the Tsogo Sun Group's revenue and EBITDAR is as follows :

	2009		2008	
	Revenue	EBITDAR	Revenue	EBITDAR
	Rm	Rm	Rm	Rm
Montecasino	1 817	694	1 910	786
Suncoast	1 167	510	1 058	453
Other Gaming	902	529	865	541
Tsogo Sun Gaming	3 886	1 733	3 833	1 780
Southern Sun				
Hotels : South Africa	1 778	781	1 474	694
Southern Sun				
Hotels : Offshore	294	104	222	84
Inter-group elimination	(37)	5	(30)	4
	5 921	2 623	5 499	2 562

In addition to major maintenance and refurbishment capital expenditure, the group has undertaken a number of corporate activities during the financial year which will position the group to benefit substantially from the economic recovery, when it arrives. These activities include:

- The addition of five hotels to the portfolio (StayEasy Rustenburg - opened, and Southern Sun Hyde Park, Southern Sun Montecasino, StayEasy Witbank and Southern Sun Ikoyi – all under construction);
- The acquisition of the Century Casinos Caledon and Newcastle operations (subject to regulatory approval);
- The acquisition of the 23% (33% voting) interest in Gold Reef Resorts. Gold Reef Resorts has been accounted for as an associate with effect from October 2008. Accordingly, R45 million has been included in the group's equity earnings during this financial year.
- The mixed use development at Montecasino, now officially named The Pivot, which is under construction and includes offices, parking and the Southern Sun Hotel mentioned above; and
- Redevelopment and expansion of The Ridge Casino including a new Privé, cinemas and the StayEasy Hotel.

The Tsogo Sun Group remains focused on a growth strategy and will continue to pursue opportunities to develop and enhance its core Hotels and Gaming businesses.

Vukani Gaming Corporation (Pty) Limited ("Vukani")

The business continued to grow significantly despite a small decline in average gross gaming revenues per machine with the machine base growing to 2 972 at 31 March 2009. Significant growth in revenues has not translated into growth in EBITDA due to certain non recurring expenses, the costs of the Gauteng office incurred in anticipation of the Gauteng license and the start up costs incurred in establishing the ATM and VPlay divisions, all of which were expensed.

Vukani won a license to operate in the key Gauteng area and is in the process of starting to roll-out machines there despite a challenge from a party that contested for a license but failed to succeed. We do not anticipate this challenge will seriously hamper the roll-out of our operations there. Our own contest with the award in the Free State is likely to be heard in court in the last quarter of this financial year. In the meantime all LPM operations in the Free State remain interdicted. During the year we also bought out a competitor; the effect of this transaction is that we effectively increased our machine base somewhat and also acquired a second license in KwaZulu-Natal. All these developments continue to entrench Vukani as the market leader in the LPM industry.

The roll-out of machines remains frustratingly slow. The eighth region (North West) has issued an RFP for LPM operators but the local requirements are so extensive that it is unclear whether Vukani can operate profitably there and no decision has been made yet as to whether or not to bid for this license. The roll-out of 20 and 40 machine sites have taken longer than expected due to the requirement that the National Gaming Board is required to approve the applications, which approvals were obtained subsequent to year-end. With the assistance

of the regional gaming boards these sites should be operational in the near future.

Transport

Golden Arrow Bus Services (Pty) Limited (“GABS”)

Golden Arrow Bus Services continued to be run well. The cost pressures through the escalation of diesel prices were managed carefully and our decision to tighten our belt rather than try to pass on these costs in their entirety was rewarded by the fact that there was no disruption of our services, which continued to grow steadily with some 5% increase in passenger numbers.

The company has provided transport to the public in Cape Town for 147 years and during that time has had several moments where change swept through such services. We are currently rapidly approaching another of these moments with two key pressures unfolding simultaneously, namely the introduction of the BRT system into Cape Town over the next period and major efforts by Government to reduce the cost of bus subsidies.

The BRT is an opportunity in the long term to modernise the city's transport system, which, if successful could significantly reduce congestion through private motor vehicles over the next two decades. It should also shorten the time it takes to travel to work and back in peak periods for hundreds of thousands of commuters in Cape Town. GABS is committed to participating in this system and generally doing its best to make it a success. Nevertheless, we believe the timetable for the first phase of its implementation is too tight for the World Cup soccer and GABS has as a result purchased buses for an upgrade in our inner city service, which will ensure that any delay in the implementation of the first phase of the BRT does not cause serious congestion during the World Cup. Secondly we believe the advice on which government is relying, namely that the system will ultimately run without subsidies as is the case in several South American cities, takes insufficient account

of the low density nature of our cities and resultant long distances people have to be transported. Hopefully these issues will be dealt with appropriately and the difficulties of introducing such a modern public transport system will be overcome over the period of its introduction.

On the other hand the decision by Government to simply withhold amounts contractually due to GABS under its main contract resulted in the company being driven to litigate with the state in regard to approximately R100 million revenue so withheld, as were other bus operators similarly afflicted. While this litigation was successful we are still no nearer resolving the underlying issue. It seems Government is heading down a path obliging the curtailment of bus services nationally. This is an issue that is completely destabilising the industry and if implemented as thoughtlessly as has been the case to date, will in due course, cause significant retrenchments, commuter dissatisfaction, and disruption to many businesses dependent on people who travel to work by public transport. Hopefully the newly elected government will act decisively to resolve this impasse with due care for passengers.

Food and Beverages

Clover Industries Limited (“Clover”)

The company has had a difficult year financially. It has continued to drag its feet over a necessary capital restructuring for a further year. HCI has as a result lost confidence this will ever happen and is contemplating reducing its exposure to the company.

Mining

HCI Khusela Coal (Pty) Limited (“HKC”)

HKC has had several difficulties in the start up phase of its operations. In the case of the Palesa mine, after some delay, the mine has started production of raw coal to supply to Eskom under its current contract. In the next few months the completion of the construction of its

wash plant will allow it to increase production significantly but we currently believe it will only be at full production levels in the second half of our financial year.

In the case of the Mbali mine the inexplicable granting of a key portion of the mining right to CEF, despite our prospecting right, has resulted in us having to redesign the placement of slurry ponds and this in turn requires further environmental approvals before mining can be commenced. We have in addition challenged the decision of the DME to withhold the portion concerned and expect this decision to be reviewed by court over the coming year.

We have nearly completed the prospecting on the Nokuhle property and shall be lodging a mining right application in the near future.

Clothing and textiles

Seardel Investment Corporation Limited ("Seardel")

During the year HCI took over the Seardel Group by acquiring about 70% of its issued share capital through underwriting a major share issue in that company funded primarily by non-recourse ringfenced debt. In essence the opportunity is a turn around one. The company has an NAV per share backed by large industrial properties significantly higher than where the share trades but operates a business that currently generates enormous losses.

In the four months since taking over the group, we have introduced new management personnel, announced the closure of the manufacture of the textile production facility at New Germany which was generating completely unsustainable losses, and taken a number of key steps to limit the overhead of several clothing factories within the group. While the past philosophy was essentially to leave each factory as a freestanding business entity the new direction of the group intends these units to function as a single integrated production platform for the group. It is our commitment to raise the standards of the group to

being a world class operation that is demonstrably better able to provide the local manufacturing requirements of all major clothing and textile retailers.

We anticipate the loss making operations of the group will be turned around or curtailed over the next six months and that the second half of the financial year will see the group's continuing operations producing profitably. While we appreciate there is a fair amount of market scepticism in this regard we are satisfied that we have the right vision, dedication and the right management to make a go of the turnaround. We believe it is a vital contribution to the reversal of fortune of an industry that has shed more jobs than it has created over the last decade. Jobs, frankly that the country cannot afford to lose. Nevertheless, it goes without repeating, the future of the group depends on the success of the turnaround.

Energy

Montauk Energy Corporation LLC ("Montauk")

As has been previously stated, this business has been badly hit by the collapse of Lehman Brothers which was a counterparty to various puts the company held to protect it against very low gas prices such as are available at present. The demise of our counterparty left the business greatly exposed in the short term and unquestionably loss-making. Besides issues related to the gas price, however, the business remains steady with slow increases in the volumes of gas it produces. A renegotiated contract to supply electricity from the Monmouth operation will result in electricity prices doubling from July 2009. The future gas curve, and US drill rig data, suggests that the current low prices for gas should begin to ease significantly by calendar year-end and that next year should see the company again producing a positive EBITDA. We have negotiated with debt providers in the US to reduce the level of third party debt in the business to more manageable levels to stabilise the business through the current period. We have also sent a South African engineering team to the

USA to strengthen its management team and to ensure continued focused effort to increase production levels from existing gas fields.

Exhibitions and Property

Gallagher Estate Holdings Limited (“Gallagher Estates”)

The resolution of the complexities of the Competition Tribunal’s order that we must dispose of the exhibition business of Gallagher Estates remains outstanding though we anticipate it will be to hand shortly. In essence the matter is with the Competition commission who are considering whether it will support the solution offered, namely to unbundle the exhibition business to HCI shareholders who will lease the premises from Johnnic. The business is currently independently managed and would continue to be so after the contemplated unbundling.

Information technology

Syntell (Pty) Limited (“Syntell”)

The company has won a significant contract to operate cameras in Cape Town with effect from July 2009. Otherwise its other contracts continue to provide stable earnings for the company which remains a well run operation.

Industrial

Formex Industries (Pty) Limited (“Formex”)

This business has been heavily affected by the world downturn in the motor assembly industry and had been

obliged to retrench several hundred of its staff to meet the curtailed opportunities in the industry. While these are exceptionally difficult times for a business such as Formex, the general clean up it is forced to confront will hopefully stand it in good stead when the cycle turns.

CHANGES IN DIRECTORATE

There were no changes in the year under review.

AUDITOR'S REVIEW

These results have been reviewed by the company’s auditors, PKF (Jhb) Inc. Their unqualified review opinion is available for inspection at the registered office of the company.

DIVIDEND ANNOUNCEMENT

Your directors have resolved not to declare a dividend at this time.

For and behalf of the board of directors



MJA Golding
Chairman



JA Copelyn
Chief Executive Officer

Cape Town
14th May 2009

