



Consolidated financial statements  
for the year ended 31 March 2014



## TSOGO SUN HOLDINGS LIMITED

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for the year ended 31 March 2014

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# Statement of responsibility by the board of directors

for the year ended 31 March 2014

The company's directors are required by the Companies Act to maintain adequate accounting records and to prepare financial statements for each financial year which fairly present the state of affairs of the company and the group at the end of the financial year and of the results of operations and cash flows for the year. In preparing the accompanying annual financial statements, International Financial Reporting Standards ('IFRS') have been followed, suitable accounting policies have been used, applied consistently, and reasonable and prudent judgements and estimates have been made. Any changes to accounting policies are approved by the board of directors and the effects thereof are fully explained in the annual financial statements. The annual financial statements incorporate full and responsible disclosure.

The directors have reviewed the group's budget and cash flow forecast for the year to 31 March 2015. On the basis of this review, and in light of the current financial position and existing borrowing facilities, the directors are satisfied that the group is a going concern and they have accordingly adopted the going-concern basis in preparing the annual financial statements. The group's independent auditors, PricewaterhouseCoopers Inc., have audited the annual financial statements and their unqualified report appears on page 6. PricewaterhouseCoopers Inc. 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 their audit are valid and appropriate.

The board recognises and acknowledges its responsibility for the group's systems of internal financial control. The group's policy on business conduct, which covers ethical behaviour, compliance with legislation and sound accounting practice, underpins its internal financial control process. The control systems include written accounting and control policies and procedures, clearly defined lines of accountability and delegation of authority, and comprehensive financial reporting and analysis against approved budgets. The responsibility for operating these systems is delegated to the directors who confirm that they have reviewed the effectiveness thereof.

The directors consider that the systems are appropriately designed to provide reasonable, but not absolute, assurance that assets are safeguarded against material loss or unauthorised use and that transactions are properly authorised and recorded.

The effectiveness of the internal financial control systems is monitored through management reviews, detailed representation letters on compliance being signed by the Chief Executive and Financial Executive of each major entity, comprehensive reviews and testing by internal auditors, independent auditors' reviews and testing of appropriate aspects of the internal financial control systems during the course of their statutory examinations of the company and the underlying subsidiaries.

## Competence of the Company Secretary

The board of directors has also considered and satisfied itself of the appropriateness of the competence, qualifications and expertise of the Company Secretary, Mr Graham D Tyrrell. The board of directors confirms that Mr Tyrrell is not a director of the company, he reports directly to the Chief Executive Officer and therefore he is considered to maintain an arm's-length relationship with the board of directors.

## Directors' approval of the annual financial statements

for the year ended 31 March 2014

The preparation of the financial statements set out on page 4 to page 80 have been supervised by the Chief Financial Officer, RB Huddy CA(SA). These annual financial statements were approved by the board of directors on 12 June 2014 and are signed on its behalf by:



**MN von Aulock**  
Chief Executive Officer



**RB Huddy**  
Chief Financial Officer

## Declaration by the Company Secretary

In terms of section 88(2)(e) of the Companies Act of South Africa, I confirm that for the year ended 31 March 2014, Tsogo Sun Holdings Limited has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Act and that all such returns and notices are true, correct and up to date.



**GD Tyrrell**  
Company Secretary

12 June 2014

# Report of the audit and risk committee

for the year ended 31 March 2014

## Committee mandate and terms of reference

In terms of the Companies Act, the committee reports that it has adopted formal terms of reference as its audit and risk committee charter, and that it has discharged all of its responsibilities for the year in compliance with the charter.

## Statutory duties

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

- ❖ evaluated the independence and effectiveness of the external auditors, PricewaterhouseCoopers Inc., and is satisfied that the external auditors are independent of the group having given due consideration to the parameters enumerated under section 92 of the Companies Act. The committee accordingly nominates PricewaterhouseCoopers Inc. as independent auditors to continue in office. P Calicchio is the individual registered auditor and member of the foregoing firm who undertakes the audit;
- ❖ ensured and satisfied itself that the appointments of the external auditors, the designated auditor and IFRS adviser are in compliance with the Companies Act, The Auditing Profession Act, 2005 and the Listings Requirements of the JSE;
- ❖ considered and pre-approved all audit and non-audit services provided by the external auditors, ensuring that the independence of the external auditors is not compromised;
- ❖ reviewed and assessed the group's risk identification, measurement and control systems and their implementation;
- ❖ reviewed and approved the group accounting policies (refer note 1 to the annual financial statements);
- ❖ reviewed the written assessment of internal audit on the design, implementation and effectiveness of the internal financial controls in addition to the results of the compliance testing by external audit in support of their audit opinion. Based on the results of this review the committee is of the opinion that the internal financial controls provide reasonable assurance that financial records may be relied upon for the preparation of reliable annual financial statements; and
- ❖ dealt with concerns or complaints relating to accounting practices and internal audit of the group, the content or auditing of the company's financial statements, the internal financial controls of the group, or any other related matter.

## Competence of the Chief Financial Officer

The committee has also considered and satisfied itself of the appropriateness of the expertise and experience of the Chief Financial Officer, Mr RB Huddy.

## Recommendation of the annual financial statements

The committee has evaluated the annual financial statements of Tsogo Sun Holdings Limited and the group for the year ended 31 March 2014 and based on the information provided to the committee, the committee recommends the adoption of the annual financial statements.



**RG Tomlinson**

*Chairperson: Audit and risk committee*

12 June 2014

# Directors' report

for the year ended 31 March 2014

## 1. Nature of business

The company is a South African incorporated company listed on the JSE engaged principally in the hotels and gaming industry.

## 2. State of affairs and profit for the year

The financial results of the group and company for the year are set out in the annual financial statements and accompanying notes thereto.

## 3. Restatement

The amendments to IAS 16 *Property, Plant and Equipment* and IAS 19 *Employee Benefits*, have had an impact on the group's financial statements. These amendments have been applied retrospectively and have been summarised in note 1b and note 44.

## 4. Subsequent events

Refer note 51 of the group annual financial statements for events occurring after the balance sheet date. The directors are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with within the financial statements, that would affect the operations or results of the company or the group significantly.

## 5. Dividends

A final dividend of 51.0 (fifty-one) cents per share was paid to shareholders on 18 June 2013 in respect of the year ended 31 March 2013.

An interim dividend of 29.0 (twenty-nine) cents per share was paid to shareholders on 17 December 2013 in respect of the year ended 31 March 2014.

On 22 May 2014, the board of directors declared a final gross cash dividend of 60.0 (sixty) cents per share in respect of the year ended 31 March 2014. The dividend was declared in South African currency and is payable to shareholders recorded in the register of the company at close of business on Friday, 13 June 2014. There are no STC credits to be utilised. The number of ordinary shares in issue at the date of this declaration was 1 098 158 501 (excluding treasury shares). The dividend is subject to a local dividend tax rate of 15%, which results in a net dividend to those shareholders who are not exempt from paying dividend tax of 51.0 cents per share. The company's tax reference number is 9250039717.

In compliance with the requirements of Strate, the electronic and custody system used by the JSE, the following dates are applicable:

	2014
Last date to trade <i>cum</i> dividend	Friday, 6 June
Shares trade <i>ex</i> dividend	Monday, 9 June
Record date	Friday, 13 June
Payment date	Tuesday, 17 June

## 6. Share capital

There were no changes to the company's authorised and issued share capital during the year under review.

The company's authorised but unissued share capital was placed under the control of the directors until the forthcoming AGM with authority to allot and issue any shares required to be issued for the purpose of carrying out the terms of the Gold Reef Share Scheme, limited to a maximum of three million shares, at their discretion, subject to section 38 of the Companies Act of South Africa and the Listings Requirements of the JSE.

## 7. Equity-settled long-term incentive plan

Refer note 26.1 of the group annual financial statements for details of the group's equity-settled long-term incentive plan for employees. There are no awards/options held by directors or other key management.

## 8. Associates, joint ventures and subsidiaries

Refer notes 22 and 23 of the group annual financial statements for details of associates and joint ventures respectively, note 53 of the group annual financial statements for details of subsidiary companies with material non-controlling interests, and note 22 to the company financial statements for details of subsidiaries.

## 9. Directorate

The directorate during the year under review was as follows:

### Non-executive

JA Copelyn <sup>(1)</sup>	(Chairman)
JA Mabuza	(Deputy Chairman)
J Davidson	(Appointed 17 January 2014)
MJA Golding	
EAG Mackay	(Deceased 18 December 2013)
VE Mphande	
JS Wilson	
MI Wyman	

### Independent non-executive

RG Tomlinson <sup>(1)(2)(3)</sup>	(Lead Independent)
JG Ngcobo <sup>(1)(2)(3)</sup>	
Y Shaik <sup>(1)(2)(3)(4)</sup>	

### Executive

MN von Aulock	(Chief Executive Officer)
RB Huddy	(Chief Financial Officer)

<sup>(1)</sup> Remuneration committee

<sup>(2)</sup> Audit and risk committee

<sup>(3)</sup> Social and ethics committee

<sup>(4)</sup> Mr Y Shaik was appointed as an executive of HCI on 1 April 2014 and will no longer be independent with effect from this date

With effect from 1 June 2014, Mrs BA Mabuza joined the board of directors as an independent non-executive director and was appointed as a member of the audit and risk committee.

## 10. Directors' and prescribed officers' emoluments

Refer note 52.4 of the group annual financial statements and note 21.3 of the company annual financial statements for details of the group's key management compensation.

## 11. Company Secretary

The secretary of the company is Mr GD Tyrrell who replaced Mr WJ van Wyngaard on his retirement on 30 September 2013. Mr Tyrrell's business and postal addresses, which are also the company's registered addresses, are set out below:

Business address:	Postal address:
Palazzo Towers East	Private bag X200
Montecasino Boulevard, Fourways, 2055	Bryanston, 2021

## 12. Auditors

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90 of the Companies Act of South Africa.

## 13. Majority shareholders and shareholder analysis

The company's majority shareholders are Tsogo Investment Holding Company (Pty) Limited and SABSA Holdings Limited who own 41.3% and 39.6% respectively (excluding treasury shares). No shareholder has a controlling interest in the company. Refer to page 80 of the company annual financial statements for a detailed analysis of the company's shareholders.

## 14. Special resolutions

The following special resolutions were passed by the company's shareholders at the AGM held on 14 October 2013:

- ❖ approval of the fees payable to non-executive directors for their services as directors or as members of the board subcommittees in respect of the financial year ended 31 March 2014;
- ❖ granting the company and any of its subsidiaries a general authority in terms of the Listings Requirements of the JSE for the acquisition by the company, or any subsidiary of the company, of ordinary issued shares issued by the company;
- ❖ authorisation for the company to provide at any time and from time to time direct or indirect financial assistance to any related or inter-related company or corporation of the company; and
- ❖ authorisation for the company to issue shares or options and the granting of financial assistance in terms of the company's share-based incentive schemes.

There were no special resolutions passed by the group's subsidiary companies during the year under review.

# Independent auditor's report to the shareholders of Tsogo Sun Holdings Limited

We have audited the consolidated and separate financial statements of Tsogo Sun Holdings Limited set out on pages 7 to 80, which comprise the balance sheets as at 31 March 2014, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Tsogo Sun Holdings Limited as at 31 March 2014, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

## Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 March 2014, we have read the directors' report, the audit and risk committee's report and the declaration by the Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



**PricewaterhouseCoopers Inc.**

Director: **P Calicchio**

*Registered auditor*

Johannesburg

12 June 2014



# Consolidated income statement

for the year ended 31 March

	Notes	2014 Rm	2013 Restated <sup>(1)</sup> Rm
Net gaming win		6 819	6 525
Rooms revenue		2 221	1 914
Food and beverage revenue		1 063	869
Other revenue	8	664	602
<b>Income</b>		<b>10 767</b>	<b>9 910</b>
Gaming levies and VAT	9	(1 411)	(1 341)
Property and equipment rentals	10	(291)	(258)
Amortisation and depreciation	11	(648)	(608)
Employee costs	12	(2 604)	(2 512)
Other operating expenses	13	(2 691)	(2 359)
<b>Operating profit</b>		<b>3 122</b>	<b>2 832</b>
Interest income	14	21	45
Finance costs	15	(394)	(430)
Share of profit of associates and joint ventures	22, 23	–	6
<b>Profit before income tax</b>		<b>2 749</b>	<b>2 453</b>
Income tax expense	16	(776)	(701)
<b>Profit for the year</b>		<b>1 973</b>	<b>1 752</b>
<b>Profit attributable to:</b>			
Equity holders of the company		1 877	1 627
Non-controlling interests		96	125
		<b>1 973</b>	<b>1 752</b>
Basic and diluted earnings per share (cents)	5	170.9	148.3

The notes on page 11 to page 66 form an integral part of these consolidated financial statements.

<sup>(1)</sup> Restatement in respect of IAS 19 Employee Benefits – refer notes 1b and 44 for details

# Consolidated statement of comprehensive income

for the year ended 31 March

	2014 Rm	2013 Restated <sup>(1)</sup> Rm
<b>Profit for the year</b>	<b>1 973</b>	<b>1 752</b>
<b>Other comprehensive income for the year net of tax</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>	<b>178</b>	<b>47</b>
Cash flow hedges	128	(33)
Currency translation adjustments	86	71
Income tax relating to items that may subsequently be reclassified	(36)	9
<b>Items that may not be reclassified subsequently to profit or loss:</b>	<b>4</b>	<b>1</b>
Remeasurements of post-employment defined benefit liability	5	1
Income tax relating to items that may not subsequently be reclassified	(1)	–
<b>Total comprehensive income for the year</b>	<b>2 155</b>	<b>1 800</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the company	2 059	1 675
Non-controlling interests	96	125
	<b>2 155</b>	<b>1 800</b>

The notes on page 11 to page 66 form an integral part of these consolidated financial statements.

<sup>(1)</sup> Restatement in respect of IAS 19 Employee Benefits – refer notes 1b and 44 for details

# Consolidated balance sheet

as at

	Notes	31 March 2014 Rm	31 March 2013 Restated <sup>(1)</sup> Rm	1 April 2012 Restated <sup>(1)</sup> Rm
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	18	10 939	9 123	8 670
Investment property	19	102	7	–
Goodwill	20	2 106	2 093	2 109
Other intangible assets	21	4 361	4 237	4 233
Investments in associates	22	32	49	48
Investments in joint ventures	23	117	122	122
Non-current receivables	24	64	49	54
Derivative financial instruments	34	67	–	–
Deferred income tax assets	25	120	179	114
Amounts due by share scheme participants	26.1	27	30	19
		<b>17 935</b>	<b>15 889</b>	<b>15 369</b>
<b>Current assets</b>				
Inventories	27	103	85	74
Trade and other receivables	28	524	633	407
Current income tax assets		137	73	82
Cash and cash equivalents	29	1 715	750	1 443
		<b>2 479</b>	<b>1 541</b>	<b>2 006</b>
<b>Total assets</b>		<b>20 414</b>	<b>17 430</b>	<b>17 375</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the company</b>				
Ordinary share capital and premium	30	4 771	4 768	4 754
Share-based payment reserve		3	3	3
Surplus arising on change in control in joint venture		130	130	130
Other reserves	31	(114)	(583)	(230)
Retained earnings		5 000	3 997	3 071
Total shareholders' equity		<b>9 790</b>	<b>8 315</b>	<b>7 728</b>
Non-controlling interests		732	807	727
<b>Total equity</b>		<b>10 522</b>	<b>9 122</b>	<b>8 455</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Interest-bearing borrowings	32	5 045	3 354	3 202
Preference share capital and premium		–	–	1 000
Obligations under finance leases	33	17	32	43
Derivative financial instruments	34	–	45	9
Deferred income tax liabilities	25	1 603	1 449	1 520
Post-employment benefit liability	35	10	13	12
Deferred revenue and income	36	21	47	40
Long-term incentive liabilities	26.4	82	72	30
Provisions	37	111	113	97
Other non-current liabilities	38	269	258	259
		<b>7 158</b>	<b>5 383</b>	<b>6 212</b>
<b>Current liabilities</b>				
Interest-bearing borrowings	32	1 077	932	1 373
Obligations under finance leases	33	15	12	9
Derivative financial instruments	34	19	37	38
Trade and other payables	39	1 044	984	958
Deferred revenue and income	36	72	44	34
Long-term incentive liabilities	26.4	211	224	52
Provisions	37	237	253	183
Other current liabilities	40	5	400	–
Current income tax liabilities		54	39	61
		<b>2 734</b>	<b>2 925</b>	<b>2 708</b>
<b>Total liabilities</b>		<b>9 892</b>	<b>8 308</b>	<b>8 920</b>
<b>Total equity and liabilities</b>		<b>20 414</b>	<b>17 430</b>	<b>17 375</b>

The notes on page 11 to page 66 form an integral part of these consolidated financial statements.

<sup>(1)</sup> Restatement in respect of IAS 16 Property, Plant and Equipment and IAS 19 Employee Benefits – refer notes 1b and 44 for details

# Consolidated statement of changes in equity

for the year ended 31 March

	Notes	Attributable to equity holders of the company							Total equity Rm
		Ordinary share capital and premium Rm	Share- based payment reserve Rm	Surplus arising on change in control in joint venture Rm	Other reserves Rm	Retained earnings Rm	Total Rm	Non- controlling interests Rm	
<b>Balance at 31 March 2012 as previously reported</b>		4 754	3	130	(230)	3 063	7 720	727	8 447
Recognition of net interest and service costs as well as remeasurements of actuarial gains or losses due to amendments to IAS 19 <i>Employee Benefits</i>		–	–	–	–	8	8	–	8
<b>Balance at 31 March 2012 (restated)</b>		4 754	3	130	(230)	3 071	7 728	727	8 455
Total comprehensive income		–	–	–	47	1 628	1 675	125	1 800
Profit for the year		–	–	–	–	1 627	1 627	125	1 752
Cash flow hedges net of tax		–	–	–	(24)	–	(24)	–	(24)
Currency translation adjustments		–	–	–	71	–	71	–	71
Remeasurements of post-employment defined benefit liability net of tax		–	–	–	–	1	1	–	1
Shares issued to share scheme participants	30	15	–	–	–	–	15	–	15
Share options lapsed	30	(1)	–	–	–	–	(1)	–	(1)
Repayment of non-controlling interests' equity loans		–	–	–	–	–	–	(3)	(3)
Obligation for subsidiary share buy-back scheme from non-controlling interests	40	–	–	–	(400)	–	(400)	–	(400)
Ordinary dividends	17	–	–	–	–	(702)	(702)	(42)	(744)
<b>Balance at 31 March 2013 (restated)</b>		4 768	3	130	(583)	3 997	8 315	807	9 122
Total comprehensive income		–	–	–	178	1 881	2 059	96	2 155
Profit for the year		–	–	–	–	1 877	1 877	96	1 973
Cash flow hedges net of tax		–	–	–	92	–	92	–	92
Currency translation adjustments		–	–	–	86	–	86	–	86
Remeasurements of post-employment defined benefit liability net of tax		–	–	–	–	4	4	–	4
Shares issued to share scheme participants	30	4	–	–	–	–	4	–	4
Share options lapsed	30	(1)	–	–	–	–	(1)	–	(1)
Non-controlling interests arising on business combinations		–	–	–	–	–	–	163	163
Transactions with non-controlling interests		–	–	–	291	–	291	(315)	(24)
Ordinary dividends	17	–	–	–	–	(878)	(878)	(19)	(897)
<b>Balance at 31 March 2014</b>		<b>4 771</b>	<b>3</b>	<b>130</b>	<b>(114)</b>	<b>5 000</b>	<b>9 790</b>	<b>732</b>	<b>10 522</b>

The notes on page 11 to page 66 form an integral part of these consolidated financial statements.

# Consolidated cash flow statement

for the year ended 31 March

	Notes	2014 Rm	2013 Restated <sup>(1)</sup> Rm
<b>Cash flows from operating activities</b>			
Cash generated from operations	41	3 764	3 806
Interest received		20	46
Finance costs paid		(396)	(445)
Income tax paid	42	(756)	(842)
Dividends paid to shareholders	43	(878)	(702)
Dividends paid to non-controlling interests		(19)	(42)
Dividends received		3	3
Net cash generated from operations		1 738	1 824
<b>Cash flows from investment activities</b>			
Purchase of property, plant and equipment		(1 337)	(960)
Proceeds from disposals of property, plant and equipment		11	6
Purchase of intangible assets		(37)	(47)
Purchase of investment property		(45)	(7)
Acquisition of subsidiaries, net of cash acquired	49.1, 49.2	(507)	–
Acquisition of business	49.3	(67)	(20)
Acquisition of additional interest in associate	22	(6)	–
Advance payment for business acquisition	49.3	–	(65)
Advance payment related to casino licences		–	(116)
Loans repaid by associates		–	3
Loans repaid by/(advanced to) joint ventures		1	(3)
Other loans and investments repaid		2	1
Other loans granted		(21)	–
Net cash utilised for investment activities		(2 006)	(1 208)
<b>Cash flows from financing activities</b>			
Borrowings raised		2 407	782
Borrowings repaid		(783)	(1 071)
Redemption of preference shares		–	(1 000)
Repayments of finance leases		(14)	(8)
Acquisition of non-controlling interests		(419)	–
Settlement of contingent consideration for Millennium acquisition		–	(58)
Loan repayments to non-controlling interests		–	(3)
Decrease in amounts due by share scheme participants		6	3
Net cash generated from/(utilised in) financing activities		1 197	(1 355)
Net increase/(decrease) in cash and cash equivalents		929	(739)
Cash and cash equivalents at beginning of the year		750	1 443
Foreign currency translation		36	46
<b>Cash and cash equivalents at end of the year</b>	29	<b>1 715</b>	<b>750</b>

The notes on page 11 to page 66 form an integral part of these consolidated financial statements.

<sup>(1)</sup> Restatement in respect of IAS 16 Property, Plant and Equipment and IAS 19 Employee Benefits – refer notes 1b and 44 for details

# Notes to the consolidated financial statements

## 1. Accounting policies

The significant accounting policies adopted in the preparation of the consolidated annual financial statements and company annual financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

### a) Basis of preparation

The consolidated and company annual financial statements have been prepared in accordance with the framework concepts and the recognition and measurement criteria of International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE and the Companies Act of South Africa and have been prepared under the historical cost convention, as modified by the revaluation to fair value of certain financial instruments as described in the accounting policies below. The term IFRS includes International Financial Reporting Standards ('IFRS'), International Accounting Standards ('IAS') and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') or the former Standing Interpretations Committee ('SIC'). The standards referred to are set by the International Accounting Standards Board ('IASB').

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the group's accounting policies. Actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

### b) Changes in accounting policies

The group has adopted all the new, revised or amended accounting pronouncements as issued by the IASB which were effective for the group from 1 April 2013 as shown below. None of the adopted pronouncements had a material impact on the group's results for the year ended 31 March 2014.

Amendment to IAS 1 *Presentation of Financial Statements* regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income on the basis of whether they may subsequently be reclassified to profit or loss (reclassification adjustments).

Previously IAS 16 *Property, Plant and Equipment* permitted spare parts and servicing equipment to be classified as inventory and the group previously classified all of its operating equipment as inventory. The impact of the amendment to IAS 16 required the group to perform an assessment on all operating equipment used by the casino and hotel operations to determine which items are used for more than one period and met the definition of property, plant and equipment. Refer note 44 for the impact on the financial statements.

An amendment to IAS 19 *Employee Benefits* requires service costs and net interest to be allocated to profit or loss, while all remeasurements are to be allocated to other comprehensive income. Previously the group allocated the adjustment to profit or loss by applying the corridor method allowed in IAS 19 which has subsequently been withdrawn. Refer note 44 for the impact on the financial statements.

IFRS 10 *Consolidated Financial Statements* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This standard had no impact on the group.

IFRS 11 *Joint Arrangements* focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. This standard had no impact on the group.

IFRS 12 *Disclosures of Interests in Other Entities* includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off-balance sheet vehicles. This standard had no impact on the group.

IFRS 13 *Fair Value Measurement* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. This standard had no impact on the group.

# Notes to the consolidated financial statements continued

## 1. Accounting policies continued

### c) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the group's Chief Executive Officer ('CEO') and the group executive committee ('GEC'). The group's CEO and the GEC review the group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the group's CEO and GEC which are used to make strategic decisions.

### d) Basis of consolidation and business combinations

The consolidated financial statements include the financial information of subsidiary, associate and joint venture entities owned by the group.

#### (i) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Where the group's interest in subsidiaries is less than 100%, the share attributable to outside shareholders is reflected in non-controlling interests. Subsidiaries are included in the financial statements from the date control commences until the date control ceases. Increases in fair value of assets that occur on the group obtaining control, for nil consideration, of an entity previously accounted for as an associate or joint venture is transferred to a reserve called "Surplus arising on change in control".

The group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Control is presumed to exist when the group owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Control also exists where the group has the ability to direct or dominate decision-making in an entity, regardless of whether this power is actually exercised.

The company records its investment in subsidiaries at cost less any impairment charges. These interests include any intergroup loans receivable, which represent by nature a further investment in the subsidiary.

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

#### (ii) *Transactions with non-controlling interests*

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests and direct costs incurred in respect of transactions with non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### (iii) *Associates*

Associates are entities over which the group has directly or indirectly significant influence but not control, generally accompanying a shareholding of 20% to 50%, where significant influence is the ability to influence the financial and operating policies of the entity. Investments in associates are accounted for using the equity method of accounting. Under the equity method of accounting, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

## 1. Accounting policies continued

### d) Basis of consolidation and business combinations continued

#### (iii) Associates continued

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition reserve movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount immediately in profit or loss.

Some of the group's associates have different local statutory accounting reference dates. These are equity accounted using management prepared information on a basis coterminous with the group's accounting reference date. Where management prepared information is a different date from that of the group's, the group equity accounts that information but taking into account any changes in the subsequent period to 31 March that would materially affect the results.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Associates' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the group.

#### (iv) Joint ventures

A joint venture is a company over which the group contractually shares control with one or more partners.

The post-acquisition results of joint ventures are incorporated in the financial statements using the equity method of accounting and are initially recognised at cost. Joint ventures' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the group. The group's investment in joint ventures includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The group's share of its joint ventures' interest post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition reserve movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. The cumulative post-acquisition movements are adjusted against the group's share of net assets of the joint venture. When the group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Joint ventures' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the group.

#### (v) Goodwill

Goodwill arising on consolidation represents the excess of the costs of acquisition over the group's interest in the fair value of the identifiable assets (including intangibles), liabilities and contingent liabilities of the acquired entity at the date of acquisition. Where the fair value of the group's share of separable net assets acquired exceeds the fair value of the consideration, the difference is recognised immediately in profit or loss.

Goodwill is stated at cost less impairment losses and is reviewed for impairment on an annual basis. Any impairment identified is recognised immediately in profit or loss and is not reversed.

The carrying amount of goodwill in respect of associates and joint ventures is included in the carrying value of the investment in the respective associate and joint venture.

Goodwill is allocated to cash-generating units ('CGUs') for the purpose of impairment testing. Each of those CGUs is identified in accordance with the basis on which the businesses are managed from both a business type and geographical basis.

# Notes to the consolidated financial statements continued

## 1. Accounting policies continued

### e) Foreign currency translation

#### (i) *Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in SA Rand which is the group's presentation currency.

#### (ii) *Transactions and balances*

The financial statements for each group company have been prepared on the basis that transactions in foreign currencies are recorded in their functional currency at the rate of exchange ruling at the date of the transaction. Monetary items denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date with the resultant translation differences being credited or charged against income in the income statement. Translation differences on non-monetary assets such as equity investments classified as available-for-sale assets are included in other comprehensive income.

#### (iii) *Foreign subsidiaries, associates and joint ventures – translation*

Once-off items in the income and cash flow statements of foreign subsidiaries, associates and joint ventures expressed in currencies other than the SA Rand are translated to SA Rand at the rates of exchange prevailing on the day of the transaction. All other items are translated at weighted average rates of exchange for the relevant reporting period. Assets and liabilities of these undertakings are translated at closing rates of exchange at each balance sheet date. All translation exchange differences arising on the retranslation of opening net assets together with differences between income statements translated at average and closing rates are recognised as a separate component of other comprehensive income. For these purposes net assets include loans between group companies that form part of the net investment, for which settlement is neither planned nor likely to occur in the foreseeable future and is either denominated in the functional currency of the parent or the foreign entity. When a foreign operation is disposed of, any related exchange differences in other comprehensive income are reclassified in profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### f) Property, plant and equipment

Property, plant and equipment are stated at cost net of accumulated depreciation and any impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying value or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the specific asset will flow to the group and the cost can be measured reliably. Repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. Land and buildings comprise mainly hotels and casinos.

#### (i) *Assets in the course of construction*

Assets in the course of construction are carried at cost less any impairment loss. Cost includes professional fees and for qualifying assets certain borrowing costs as determined below. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

#### (ii) *Assets held under finance leases*

Assets held under finance leases which result in the group bearing substantially all the risks and rewards incidental to ownership are capitalised as property, plant and equipment. Finance lease assets are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, then depreciated over their useful lives. The capital element of future obligations under the leases is included as a liability in the balance sheet, classified, as appropriate, as a current or non-current liability. The interest element of the lease obligations is charged to profit or loss over the period of the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each financial period.

#### (iii) *Depreciation*

No depreciation is provided on freehold land or assets in the course of construction. In respect of all other property, plant and equipment, depreciation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value, of each asset over its expected useful life as follows:

Freehold properties	20 – 50 years
Leasehold buildings	Shorter of the lease term or 50 years
Casino equipment	4 – 6 years*
Computer equipment and software	2 – 6 years*
Furniture, fittings and other equipment	3 – 15 years*
Vehicles	5 years*
Theme Park rides	6 – 26 years*
Operating equipment	2 – 3 years*

\*These categories have been grouped together under "Plant and equipment" in note 18 – Property, plant and equipment



## 1. Accounting policies continued

### f) Property, plant and equipment continued

#### (iii) Depreciation continued

Operating equipment that meets the definition of property, plant and equipment (which includes gaming chips, kitchen utensils, crockery, cutlery and linen) is recognised as an expense based on usage. The period of usage depends on the nature of the operating equipment and varies between two to three years.

#### (iv) Profit or loss on disposal

The profit or loss on the disposal of an asset is the difference between the disposal proceeds and the net book amount of the asset.

#### (v) Capitalisation of borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. The group considers a period of greater than 12 months to be substantial. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

### g) Intangible assets

Intangible assets are stated at cost less accumulated amortisation on a straight-line basis (if applicable) and impairment losses. Cost is usually determined as the amount paid by the group, unless the asset has been acquired as part of a business combination. Amortisation is included together with depreciation in the income statement.

Intangible assets with indefinite lives are not amortised but are subject to annual reviews for impairment.

Intangible assets with finite lives are amortised over their estimated useful economic lives, and only tested for impairment where there is a triggering event. The directors' assessment of the useful life of intangible assets is based on the nature of the asset acquired, the durability of the products to which the asset attaches and the expected future impact of competition on the business.

Intangible assets acquired as part of a business combination are recognised separately when they are identifiable, and it is probable that economic benefits will flow to the group.

#### (i) Computer software

Where computer software is not an integral part of a related item of property, plant and equipment, the software is capitalised as an intangible asset.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring them to use. Direct costs associated with the production of identifiable and unique internally generated software products controlled by the group that will probably generate economic benefits exceeding costs beyond one year are capitalised. Direct costs include software development employment costs (including those of contractors used) and an appropriate portion of overheads. Capitalised computer software, licence and development costs are amortised over their useful economic lives that are reassessed on an annual basis.

Costs associated with maintaining computer software programs are expensed as incurred.

#### (ii) Casino licences and bid costs

Costs incurred during the bidding process for a casino licence are capitalised to casino licences and bid costs by the individual casino on the successful award of the casino licence as these costs are directly attributable to the award of the licence. Payments made to gaming boards for enhancements of existing casino licences, such as additional gaming positions, are capitalised by the individual casino to the underlying casino licence.

Casino licences that do not have an expiry date are not amortised as they are considered to have an indefinite life and are tested annually for impairment on the same basis as goodwill (refer note d(v)). Casino licences having an expiry date are amortised over the exclusivity period of the respective licence.

Costs associated with unsuccessful casino licence applications are immediately impaired.

#### (iii) Trademarks

Trademarks are recognised initially at cost. Trademarks have definite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives.

# Notes to the consolidated financial statements continued

## 1. Accounting policies continued

### h) Financial assets and financial liabilities

Financial assets are recognised when the group becomes a party to the contractual provisions of the respective instrument. Such assets consist of cash, equity instruments, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. Financial assets are derecognised when the right to receive cash flows from the asset has expired or has been transferred and the group has transferred substantially all risks and rewards of ownership.

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities are derecognised when they are extinguished, that is discharged, cancelled or expired.

Finance costs are charged against income in the year in which they accrue using the effective interest rate method. Premiums or discounts arising from the difference between the net proceeds of financial instruments purchased or issued and the amounts receivable or repayable at maturity are included in the effective interest calculation and taken to finance costs over the life of the instrument.

The group classifies its financial assets in the following categories: at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (i) *Financial instruments at fair value through profit or loss*

Financial instruments at fair value through profit or loss are financial assets held for trading and/or designated by the entity upon initial recognition as fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

#### (ii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. The group does not hold any investments in this category.

#### (iii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets (trade and other receivables), except for maturities of greater than 12 months after the balance sheet date which are classified as non-current assets.

#### (iv) *Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either designated in this category or not classified as any of the above. Investments in this category are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. The group does not hold any material investments in this category.

Purchases and sales of investments are recognised on the date on which the group commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets that are not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within other operating expenses, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

## 1. Accounting policies continued

### h) Financial assets and financial liabilities continued

Interest on available-for-sale securities calculated using the effective interest rate method is recognised in the income statement as part of interest income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If there is no active market for a financial asset or for unlisted securities, the group establishes fair value by using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

### i) Offsetting financial instruments

Where a legally enforceable right exists to set off recognised amounts of financial assets and liabilities and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously, which are in determinable monetary amounts, the relevant financial assets and liabilities are offset.

### j) Impairment of financial assets

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from other comprehensive income and recognised in the income statement. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

Impairment testing of trade receivables is described in note (o).

### k) Derivative financial assets and financial liabilities

Derivative financial assets and financial liabilities are financial instruments whose value changes in response to an underlying variable, require little or no initial investment and are settled in the future.

Derivative financial assets and liabilities are analysed between current and non-current assets and liabilities on the face of the balance sheet, depending on when they are expected to mature.

For derivatives that are not designated to have a hedging relationship, all fair value movements thereon are recognised immediately in profit or loss. Refer note (m) for the group's accounting policy on hedge accounting.

### l) Financial guarantees

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of (a) the best estimate of the obligation and (b) the amount initially recognised less cumulative amortisation released on a systematic basis as a function of the passing of time and the repayment of capital.

The fair value of financial guarantee contracts entered into on behalf of subsidiary companies is capitalised to the carrying value of the investment in subsidiary. The fair value of financial guarantee contracts entered into on behalf of associate companies are expensed. The amortisation of all financial guarantee contracts is accounted for in operating expenses in the income statement.

# Notes to the consolidated financial statements continued

## 1. Accounting policies continued

### m) Hedge accounting

The derivative instruments used by the group, which are used solely for hedging purposes (i.e. to offset foreign exchange and interest rate risks), comprise interest rate swaps and forward foreign exchange contracts. Such derivative instruments are used to alter the risk profile of an existing underlying exposure of the group in line with the group's risk management policies.

Derivatives are initially recorded at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the hedging relationship.

In order to qualify for hedge accounting, the group is required to document the relationship between the hedged item and the hedging instrument. The group is also required to document and demonstrate that the relationship between the hedged item and the hedging instrument will be highly effective. This effectiveness test is re-performed at each period end to ensure that the hedge has remained and will continue to remain highly effective.

Certain derivatives are designated as either:

- (i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge). The group does not hold any hedges in this category;
- (ii) hedges of highly probable forecast transactions or commitments (cash flow hedge); or
- (iii) hedges of net investments in foreign operations (net investment hedge). The group does not hold any hedges in this category.

Certain derivative instruments, while providing effective economic hedges under the group's policies, are not designated as hedges. Changes in the fair value of any derivative instruments that do not qualify or have not been designated as hedges are recognised immediately in profit or loss. The group does not hold or issue derivative financial instruments for speculative purposes.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedges comprise derivative financial instruments designated in a hedging relationship to manage currency or interest rate risk to which the cash flows of certain liabilities are exposed. The effective portion of changes in the fair value of the derivative that is designated and qualifies for hedge accounting is recognised in other comprehensive income. The ineffective portion is recognised immediately in profit or loss. Amounts accumulated in other comprehensive income are recycled to the income statement in the period in which the hedged item affects profit or loss. However, where a forecast transaction results in a non-financial asset or liability, the accumulated fair value movements previously deferred in other comprehensive income are included in the initial cost of the asset or liability.

Cash flow hedge accounting is discontinued when a hedging instrument expires or is sold, terminated or when a hedge no longer meets the criteria for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss within other operating expenses.

### n) Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and where companies in the group occupy no or an insignificant portion, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is stated at cost net of accumulated depreciation and any impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the property. Subsequent costs are included in the property's carrying value or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the specific asset will flow to the group and the cost can be measured reliably. Repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its carrying value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an owner-occupied property becomes an investment property, it is reclassified as investment property. Its carrying value at the date of reclassification becomes its cost for subsequent accounting purposes.

## 1. Accounting policies continued

### n) Investment property continued

Investment property's residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

No depreciation is provided on freehold land. In respect of buildings, depreciation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each property over its expected useful life of 20 to 50 years.

### o) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying value and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in profit or loss. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss as bad debts recovered.

### p) Inventories

Inventories are valued at the lower of cost or net realisable value. Operating equipment utilised within 12 months is recognised as an expense based on usage. Provision is made for slow-moving goods and obsolete materials are written off. Cost is determined on the following basis:

- ❖ Consumable stores are valued at invoice cost on a first in, first out ('FIFO') basis.
- ❖ Food and beverage inventories and operating equipment are valued at weighted average cost.

Net realisable value is the estimated selling price in the ordinary course of the business, less selling expenses.

### q) Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits, other short-term highly liquid investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### r) Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities (refer note (t)).

Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are shown in equity as a deduction, net of tax, from the proceeds and are included in the share premium account.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid is deducted from equity attributable to the company's equity holders until the shares are cancelled, re-issued or disposed of. Where such shares are subsequently sold or re-issued, any consideration received is included in equity attributable to the company's equity holders. Company shares consolidated into the group as part of the Gold Reef Share Scheme are accounted for as treasury shares.

### s) Trade payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Trade payables are analysed between current and non-current liabilities on the face of the balance sheet, depending on when the obligation to settle will be realised.

### t) Borrowings and finance costs

Borrowings are recognised initially at fair value and are subsequently stated at amortised cost and include accrued interest and prepaid facility transaction costs. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date, in which case they are classified as non-current liabilities.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The non-discretionary dividends on these preference shares are recognised in the income statement as finance costs.

Finance costs include all borrowing costs incurred on borrowing instruments together with related costs of debt facilities management. Such costs include facility commitment fees which are expensed in borrowing costs as incurred and facility raising fees which are amortised through borrowing costs over the life of the related facilities. Borrowing costs, other than borrowing costs capitalised (refer note 1f(v)), are recognised in the income statement in the period in which they are incurred.

# Notes to the consolidated financial statements continued

## 1. Accounting policies continued

### u) Impairment

This policy covers all assets except goodwill (refer note d(v)), trade receivables (refer note (o)), inventories (refer note (p)), financial assets (refer note (h)), and deferred income tax assets (refer note (aa)).

At each balance sheet date the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ('CGUs'). If the recoverable amount of a CGU is estimated to be less than its carrying amount, the carrying amount of the CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

### v) Provisions

Provisions are recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Such provisions are calculated on a discounted basis where the effect is material to the original undiscounted provision. The carrying amount of the provision increases in each period to reflect the passage of time and the unwinding of the discount and the movement is recognised in the income statement within finance costs.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses, however, provisions are recognised for onerous contracts where a contract is expected to be loss making (and not merely less profitable than expected).

Provision is made for the potential jackpot payouts on slot machines and table progressives and is based on the meter readings.

The group also recognises a provision for bonus plans based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments and the performance of the respective employees. These criteria are only finalised after the group's year end.

A liability for long-service awards is also recognised as a provision where cash is paid to employees at certain milestone dates in careers with the group. The actuarial valuation to determine the liability is performed annually.

### w) Revenue recognition

#### (i) *Hotel, gaming, Theme Park and cinema revenues*

Revenue includes the fair value of income derived from hotel trading, restaurant revenues, Theme Park entrance fees, banqueting, parking revenues, ticket sales and other non-net gaming win and hotel entertainment revenues. VAT on these revenue transactions is excluded from revenue. Revenue is recognised on the accrual basis.

#### (ii) *Customer reward programmes*

Provision is made for the estimated liability arising from the issue of benefits under the group's customer reward programmes, based on the value of rewards earned by the programme members, and the expected utilisation of these rewards. The fair value attributed to these awards is deferred as a liability included in deferred revenue and income in the balance sheet, and released to profit or loss as the awards are redeemed. The expected utilisation is determined through consideration of historical usage and forfeiture rates.

#### (iii) *Rental, royalty and management fee income*

Rentals received, royalty income, which are included in other revenue, and management fee income are recognised on an accrual basis in accordance with the relevant agreements except rental income recognised on a straight-line basis.

#### (iv) *Interest income*

Interest income is recognised using the effective interest method.

When a receivable is impaired, the group reduces the carrying amount to its recoverable amount by discounting the estimated future cash flows at the original effective interest rate, and continues to unwind the discount as interest income.

#### (v) *Dividend income*

Dividend income is recognised when the right to receive payment is established, and is included in other revenue.

## 1. Accounting policies continued

### x) Net gaming win

Net gaming win comprises the net table and slot machine win derived by casino operations from gambling patrons. In terms of accounting standards, betting transactions concluded under gaming operations meet the definition of derivatives and therefore income from gaming operations represents the net position arising from financial instruments. The net gaming win is measured as the net cash received from betting transactions from casino operations. Due to the short-term nature of the group's casino operations, all income is recognised in profit or loss immediately, at fair value.

In the casino industry, the nature of betting transactions makes it difficult to separate bets placed by customers and winnings paid to customers. It therefore follows that casinos experience practical difficulties reflecting output tax separately from input tax. Accordingly, SARS allows casinos to account for VAT by applying the tax fraction to the net betting transaction. Provincial gaming levies are calculated on a similar basis by applying the tax fraction to the net betting transaction. Any change in either the VAT rate or the provincial gaming levies would be absorbed entirely by the group and would have no impact on the customers. The group thus treats VAT and other taxes levied on casino winnings as direct costs as these are borne by the group and not customers, and have no effect on casino activities from the customers' perspective. These costs are included in net gaming win that is disclosed separately on the face of the income statement.

### y) Leases

#### (i) *The group is the lessee*

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged or credited to the income statement on a straight-line basis over the period of the lease.

#### (ii) *The group is the lessor*

Assets leased to third parties under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

### z) Employee benefits

#### (i) *Defined contribution plans*

A defined contribution plan is a pension or provident plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For the defined contribution plans, the group pays contributions to both an in-house pension fund managed by company and employee nominated trustees and a public administered provident plan on a contractual basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. The rules of the funds do not allow for prepaid contributions.

#### (ii) *Other post-employment obligations*

The group operates a defined benefit plan for a portion of the medical aid members. This fund is now closed to new entrants. The assets of the scheme are held separately from those of the group and are administered by trustees.

The liability recognised in the balance sheet in respect of the plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using reference to current market yields on South African government bonds.

# Notes to the consolidated financial statements continued

## 1. Accounting policies continued

### z) Employee benefits continued

#### (ii) *Other post-employment obligations* continued

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised in full as they arise outside the income statement and are charged or credited to equity in other comprehensive income in the period in which they arise.

All other costs are recognised immediately in profit or loss.

#### (iii) *Termination benefits*

Termination benefits may be payable when an employee's employment is terminated before the normal retirement date due to death or retrenchment or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The group recognises termination benefits at the earlier of the following dates:

- ❖ when the group can no longer withdraw the offer of those benefits; and
- ❖ when the group recognises costs for a restructuring that is within the scope of IAS 37 that includes the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting date are discounted to their present value.

#### (iv) *Bonus plans*

The group recognises a provision and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments and the performance of the respective employees. The group recognises the provision where an estimate can be made of the amount to be paid and it is contractually obliged to do so or there is a past practice that has created a constructive obligation and the directors are of the opinion that it is probable that such bonuses will be paid.

#### (v) *Long-term incentives*

The group has long-term incentive plans accounted for in terms of IFRS 2 *Share-based Payment* as cash-settled equity schemes for certain employees. Liabilities equal to the current fair market values of the plans are recognised at each balance sheet date. The moves in the fair values of these liabilities are expensed.

#### (vi) *Share-based payments – Gold Reef Share Scheme*

The group operates an equity-settled, share-based compensation plan. Options are granted to permanent employees at the discretion of the directors in terms of which shares in the company may be acquired based on prices prevailing at the dates of granting the options. Delivery of the shares so acquired is effected in three equal tranches vesting over four years; one-third after two years, one-third after three years and one-third after four years. Shares acquired through the share incentive scheme have to be paid for by the employees at the subscription prices as determined in the option contracts.

On a group level the share scheme is consolidated. Upon vesting and exercise of the options the subscription value is credited to share capital (nominal value) and share premium and debited to a non-current asset. The non-current asset is considered payable when the employees exercise the options and the options have vested.

The fair value of the employee services received by the company and/or its subsidiaries in exchange for the grant of the options is recognised as an expense.

The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment directly to equity over the vesting period. This equity account is included in the share-based payment reserve of the company.

Fair value is measured at grant date using a modified binomial pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

#### (vii) *Goods or services settled in cash*

Goods or services, including employee services received in exchange for cash-settled share-based payments, are recognised at fair value of the liability incurred and are expensed when consumed or capitalised as assets, which are depreciated or amortised. The liability is remeasured at each balance sheet date to its fair value, with all changes recognised immediately in profit or loss.



## 1. Accounting policies continued

### z) Employee benefits continued

#### (vii) Goods or services settled in cash continued

The fair value of the share appreciation scheme is determined at each balance sheet date by reference to the company's share price. This is adjusted for management's best estimate of the appreciation units expected to vest and management's best estimate of the performance criteria assumption.

The fair value of the long-term incentive plan liability is determined at each balance sheet date by reference to the company's share price. This is adjusted for management's best estimates of the appreciation, bonus and performance units expected to vest and management's best estimate of the performance criteria assumption on the performance units.

The liability is included in current liabilities, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current liabilities.

#### (viii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability to the employees for annual leave up to the balance sheet date. This liability is included in "Trade and other payables" in the balance sheet.

#### (ix) Long-service awards

The group recognises a liability and an expense for long-service awards where cash is paid to employees at certain milestone dates in careers with the group. The method of accounting and frequency of valuation are similar to those used for defined benefit schemes. The actuarial valuation to determine the liability is performed annually. This liability is included in "Provisions" in the balance sheet.

#### (x) Other long-term employee benefits

The group provides death-in-service benefits, permanent and temporary disability benefits, together with funeral cover to qualifying employees. The liability for benefits payable that are not linked to a service condition is recognised as and when a claim arises and is expensed in full in the income statement at that point. The liability for benefits that are linked to an employee's service period is recognised through the income statement over the estimated service period of the employee up to the estimated date of a claim occurring while in service. The method of accounting for benefits linked to service is similar to that used for defined benefit schemes.

### aa) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. The group's liability for current taxation is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full using the liability method, in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements, except where the temporary difference arises from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither accounting nor taxable profit or loss.

Deferred tax liabilities are recognised where the carrying value of an asset is greater than its tax base, or where the carrying value of a liability is less than its tax base. Deferred tax is recognised in full on temporary differences arising from investment in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it is probable that future taxable profit will be available against which the temporary differences (including carried forward tax losses) can be utilised.

Deferred tax is measured at the tax rates expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income taxes relate to income taxes levied by the same taxation authority on either the taxable entity, or different taxable entities where there is an intention to settle the balances on a net basis.

### bb) Dividend distributions

Dividend distributions to the company's shareholders are recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's board of directors.

# Notes to the consolidated financial statements continued

## 2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### a) Principles of critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### b) Property, plant and equipment

Property, plant and equipment represent a significant proportion of the group's asset base. Therefore, the judgements made in determining their estimated useful lives and residual values are critical to the group's financial position and performance. Useful lives and residual values are reviewed on an annual basis with the effects of any changes in estimates accounted for on a prospective basis. In determining residual values, the group uses historical sales and management's best estimate based on market prices of similar items. Useful lives of property, plant and equipment are based on management estimates and take into account historical experience with similar assets, the expected usage of the asset, physical wear and tear, technical or commercial obsolescence and legal restrictions on the use of the assets.

### c) Estimated impairment of goodwill and indefinite lived intangible assets

The group tests annually whether goodwill and indefinite lived intangible assets have suffered any impairment, in accordance with the accounting policy stated in notes 1(d) and 1(g). The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates as noted in notes 20 and 21.

### d) Customer reward programmes

Provision is made for the estimated liability arising from the issue of benefits under the group's customer reward programmes, based on the value of rewards earned by the programme members, and the expected utilisation of these rewards. The expected utilisation is determined through consideration of historical usage and forfeiture rates.

### e) Income taxes

The group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

### f) Business combinations

On the acquisition of a company or business, a determination of the fair value and the useful life of intangible assets acquired is performed, which requires the application of management judgement. The fair value was obtained by applying a valuation technique performed on a discounted cash flow basis. Future events could cause the assumptions used by the group to change which could have a significant impact on the results and net position.

### g) Applicability of IFRS 10 *Consolidated Financial Statements*

The group has assessed the requirements of IFRS 10 against shareholder and management agreements and concluded that it does not change the reporting on subsidiary companies that are consolidated.

### 3. New standards, interpretations and amendments to existing standards issued that are not yet effective:

- a) The following standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 April 2014 or later periods, which the group has not early adopted and are not expected to have a material effect on the consolidated results of operations or financial position of the group:

#### *IFRS 9 Financial Instruments*

New standards that form the first part of a three-part project to replace IAS 39 *Financial Instruments: Recognition and Measurement* (effective for periods beginning on or after 1 January 2018). IFRS 9 specifies how an entity should classify and measure financial assets, including some hybrid contracts. They require all financial assets to be:

- ❖ classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset;
- ❖ initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs; and
- ❖ subsequently measured at amortised cost or fair value.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories. The group is yet to assess the full impact of IFRS 9. The group will apply IFRS 9 from the annual period beginning 1 April 2018.

#### *IFRS 10 Consolidated Financial Statements*

- ❖ IFRS 10's exception to the principle that all subsidiaries must be consolidated. Entities meeting the definition of "Investment Entities" must be accounted for at fair value under IFRS 9 *Financial Instruments*, or IAS 39 *Financial Instruments: Recognition and Measurement*. The group will apply this amendment to IFRS 10 from the annual period beginning 1 April 2014. The group has assessed its investments in its subsidiary companies in terms of the new standard and no change is expected in the manner that the group accounts for its investments in its subsidiaries.

#### *IAS 27 (Amendment) Consolidated and Separate Financial Statements*

- ❖ Requirement to account for interests in "Investment Entities" at fair value under IFRS 9 *Financial Instruments*, or IAS 39 *Financial Instruments: Recognition and Measurement*, in the separate financial statements of a parent. The group is yet to assess the full impact of this amendment of IAS 27. The group will apply IAS 27 amended from the annual period beginning 1 April 2014.

#### *IAS 32 (Amendment) Financial Instruments: Presentation*

- ❖ The amendments require entities to disclose gross amounts subject to rights of set-off, amounts set-off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set-off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations. The group will apply IAS 32 amended from the annual period beginning 1 April 2014.

#### *IAS 36 (Amendment) Impairment of Assets*

- ❖ This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The group will apply IAS 36 amended from the annual period beginning 1 April 2014.

#### *IAS 39 (Amendment) Financial Instruments: Recognition and Measurement*

- ❖ This amendment provides relief from discontinuing hedge accounting when notation of a hedging instrument to a central counter party meets specified criteria. The group is yet to assess the full impact of IAS 39 amended. The group will apply IAS 39 amended from the annual period beginning 1 April 2014.

- b) There are no new interpretations applicable to the group.

# Notes to the consolidated financial statements continued

## 4. Financial risk management

### 4.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group uses derivative financial instruments to hedge certain risk exposures.

#### *Risk management process*

The Tsogo Sun board recognises that the management of business risk is crucial to the group's continued growth and success and this can only be achieved if all three elements of risk – namely threat, uncertainty and opportunity – are recognised and managed in an integrated fashion. The audit and risk committee is mandated by the board to establish, co-ordinate and drive the risk process throughout the group. It has overseen the establishment of a comprehensive risk management system to identify and manage significant risks in the operational divisions, business units and subsidiaries. Internal financial and other controls ensure a focus on critical risk areas, are closely monitored and are subject to management oversight and internal audit reviews.

The systems of internal control are designed to manage rather than eliminate risk, and provide reasonable but not absolute assurance as to the integrity and reliability of the financial statements, the compliance with statutory laws and regulations, and to safeguard and maintain accountability of the group's assets. The board and executive management acknowledge that an integrated approach to the total process of assurance improves the assurance coverage and quality in addition to being more cost-effective.

In addition to the risk management processes embedded within the group, the group executive committee identifies, quantifies and evaluates the group's risks twice a year utilising a facilitated risk assessment workshop. The severity of risks is measured in qualitative as well as quantitative terms, guided by the board's risk tolerance and risk appetite measures. The scope of the risk assessment includes risks that impact on shareholder value or that may lead to a significant loss, or loss of opportunity. Risk responses to each individual risk are designed, implemented and monitored. The risk profiles, with the risk responses, are reviewed by the audit and risk committee at least once every six months. In addition to the group risk assessment, risk matrices are prepared and presented to the audit and risk committee for each operational division. This methodology ensures that identified risks and opportunities are prioritised according to the potential impact on the group and cost-effective responses are designed and implemented to counter the effects of risks and take advantage of opportunities.

Financial risk management is carried out by a central treasury department (Group Treasury) under policies approved by the board of directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and non-derivative financial instruments and investing excess liquidity. Credit risk is managed at an entity level for trade receivables.

#### a) *Market risk*

##### (i) *Currency risk*

*The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates*

The group is subject to exposure on the translation of the foreign currency denominated net assets of subsidiaries, associates and joint ventures primarily with respect to the US Dollar and the Euro. The group seeks to mitigate this exposure, where cost-effective, by securing its debt denominated in US Dollars and/or Euros in the offshore entities with assets and cash flows of those offshore operations where the functional currency of those entities is US Dollars and/or Euros, with no recourse to the South African operations. As a result, no forward cover contracts are required in respect of this debt. The group does not hedge currency exposures from the translation of profits earned in foreign currency subsidiaries, associates and joint ventures.

Foreign exchange risk also arises from exposure in the foreign operations due to trading transactions in currencies other than the functional currency.

The group's treasury risk management policy is to hedge 100% of trade-related cross-border purchases, primarily through the use of forward exchange contracts. No foreign currency exports exist within the group.

The following significant exchange rates against the SA Rand applied during the year:

	Average rate		Reporting date closing rate	
	2014 R	2013 R	2014 R	2013 R
1 US Dollar is equivalent to	10.19	8.56	10.53	9.24
1 Euro is equivalent to	13.70	11.03	14.50	11.82

A 10% strengthening of the functional currency against the following currencies at 31 March would have increased/ (decreased) profit or loss by the amounts shown below due to foreign exchange gains or losses on foreign denominated trade receivables, cash and cash equivalents and trade payables recorded in the local currency of the foreign operations. This analysis assumes no hedging and that all other variables, in particular interest rates, remain constant. This analysis was performed on the same basis for 2013.

#### 4. Financial risk management continued

##### 4.1 Financial risk factors continued

###### a) Market risk continued

###### (i) Currency risk continued

	Profit/(loss)	
	2014 Rm	2013 Rm
Local currency:		
US Dollar	(1)	17
Euro	3	7
Zambian Kwacha	(2)	(1)
Nigerian Naira	2	–
Other currencies	–	3

A 10% weakening of the functional currency against the above currencies at 31 March would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

###### (ii) Interest rate risk

*The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates*

The group's primary interest rate risk arises from long-term borrowings. It is exposed to a lesser extent to interest rate changes on redeemable preference shares and loans to non-controlling interests. Borrowings at variable rates expose the group to cash flow interest rate risk. Borrowings at fixed rates expose the group to fair value interest rate risk.

The group's policy is to borrow in floating rates, having due regard that floating rates are generally lower than fixed rates in the medium term.

Group policy, however, requires that at least 25% of its net borrowings are to be in fixed-rate instruments over a 12-month rolling period.

The group manages its interest rate risk by using floating-to-fixed interest rate swaps. Interest rate swaps have the economic effect of converting floating rate borrowings to fixed rates. Where the group raises long-term borrowings at floating rates, it swaps them into fixed rates in terms of group policy. Under the interest rate swaps, the group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to an agreed reference interest rate calculated on agreed notional principal amounts.

The ineffective portion is recognised immediately in profit or loss and the effectiveness of the hedges is tested at inception and thereafter annually.

As at 31 March 2014, 48% (2013: 46%) of consolidated gross borrowings were in fixed rates taking into account interest rate swaps. As at 31 March 2014, 67% (2013: 56%) of consolidated net borrowings were in fixed rates.

Fixed interest rate swaps ranged from 6.46% to 7.68% as at 31 March 2014 (2013: 6.49% to 7.23%) referenced against the three-month JIBAR of 5.25% at 31 March 2014 and 5.125% at 31 March 2013, as well as one-month JIBAR of 5.575% at 31 March 2014 and 4.992% at 31 March 2013.

Floating rate borrowings and preference share funding are linked/referenced to the prime lending rate, the money market deposit rate, the Rand Overnight Deposit Index or to either one-month or three-month JIBAR, the carrying amounts of which are as follows:

- ❖ linked to the money market deposit rate at 31 March 2014 – Rnil (2013: R32 million);
- ❖ linked to the Rand Overnight Deposit Index at 31 March 2014 – R220 million (2013: R400 million);
- ❖ linked to one-month JIBAR at 31 March 2014 – R480 million (2013: R1 070 million); and
- ❖ linked to three-month JIBAR at 31 March 2014 – R4 057 million (2013: R2 784 million).

At 31 March the interest rate profile of the group's interest-bearing financial instruments was:

	Carrying amount	
	2014 Rm	2013 Rm
Fixed rate instruments		
Financial assets	–	–
Financial liabilities	(31)	(44)
	(31)	(44)
Variable rate instruments		
Financial assets	1 636	672
Financial liabilities	(6 125)	(4 286)
	(4 489)	(3 614)

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates would have increased/decreased pre-tax profit or loss by R15 million (2013: R16 million), including the effects of the interest rate swaps. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for 2013.

# Notes to the consolidated financial statements continued

## 4. Financial risk management continued

### 4.1 Financial risk factors continued

#### a) *Market risk* continued

##### (iii) *Other price risk*

*The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market*

The group does not invest in listed securities and has no available-for-sale financial assets, and therefore does not have any equity price risk. The group is also not exposed to significant commodity price risk.

#### b) *Credit risk*

*The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation*

The group has no significant concentrations of credit risk. Overall credit risk is managed on a group basis with exposure to trade receivables managed at entity level.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to the group's customer base, including outstanding receivables and committed transactions. For banks and financial institutions, only group audit and risk committee approved parties are accepted (on behalf of the board). The group has policies that limit the amount of credit exposure to any bank and financial institution. The group limits its exposure to banks and financial institutions by setting credit limits based on their credit ratings and generally only with counterparties with a minimum credit rating of BBB by Standard & Poor's and Baa3 from Moody's. For banks with a lower credit rating, or with no international credit rating, limits are set by the audit and risk committee on behalf of the board. The utilisation of credit limits is regularly monitored. To reduce credit exposure, the group has International Swaps and Derivatives Association Master Agreements with most of its counterparties for financial derivatives which permit net settlement of assets and liabilities in certain circumstances.

Trade receivables comprise a large, widespread customer base mostly in respect of the hotel, banqueting and conferencing business, and therefore the group performs ongoing credit evaluations of the financial condition of its customers for both new credit applications and existing customers having credit facilities. These reviews include evaluating previous relations the customer has had with the group, taking into account the length of time and amount of business. New customers are given credit only after meeting strict minimum requirements. The utilisation of credit limits are regularly monitored by reviewing the ageing analysis of these debtors on an ongoing basis. At 31 March 2014 no single customer was in debt in excess of 10% of the total trade receivables balance. The trade receivables are of a high credit quality.

Credit limits exceeded during the year under review were closely monitored, and management does not expect any losses from non-performance by these counterparties.

Refer note 28 for further credit risk analysis in respect of trade and other receivables.

#### c) *Liquidity risk*

*The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the group's liquidity headroom on the basis of expected cash flow and the resultant borrowing position compared to available credit facilities. This process is performed during each financial year for five years into the future in terms of the group's long-term planning process.

The group's policy is to ensure that it has flexible committed facilities available at all times in excess of 15% of flexible borrowings. At 31 March 2014, the group had 66% (2013: 120%) surplus flexible facilities, inclusive of available cash on deposit, above that of flexible borrowings.

	2014	2013
	Rm	Rm
Debt at 1 April	(4 330)	(5 627)
Net (increase)/decrease in debt during the year	(1 840)	1 297
Debt at 31 March	(6 170)	(4 330)
Credit facilities <sup>(1)</sup>	8 295	7 951
Headroom available	2 125	3 621

<sup>(1)</sup> Includes funding facilities of Rnil (2013: R32 million) from non-controlling interests together with finance lease contracts, but excludes indirect facilities (letters of guarantees, forward exchange contracts and letters of credit)

#### 4. Financial risk management continued

##### 4.1 Financial risk factors continued

###### c) Liquidity risk continued

The group sources its funding from a syndicate of three large South African banks thereby reducing liquidity concentration risk. The facilities comprise a mix of short, medium and long-term tenure, with utilisations and available facilities set out below:

	2014 facility			2013 facility		
	Total Rm	Utilisation Rm	Available Rm	Total Rm	Utilisation Rm	Available Rm
Demand facilities (overdrafts)	189	–	189	205	–	205
364-day notice facilities	1 200	701	499	1 200	601	599
Term facilities maturing 8 December 2016	500	500	–	500	200	300
Term facilities maturing 31 March 2018	4 900	3 558	1 342	5 100	2 583	2 517
Term facilities maturing 1 October 2018	740	740	–	870	870	–
Term facilities maturing 30 June 2020	734	639	95	–	–	–
Other term and non-controlling interests funding	32	32	–	76	76	–
	<b>8 295</b>	<b>6 170</b>	<b>2 125</b>	<b>7 951</b>	<b>4 330</b>	<b>3 621</b>

The table below analyses the group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Less than 1 year Rm	Between 1 and 2 years Rm	Between 2 and 5 years Rm	Over 5 years Rm
Inclusive of capital and interest				
<b>At 31 March 2014</b>				
Bank borrowings	750	774	4 993	321
Obligations under finance leases	17	16	2	–
Derivative financial instruments	19	(40)	(27)	–
Trade and other payables	783	–	–	–
Financial guarantee contracts	12	–	–	–
	<b>1 581</b>	<b>750</b>	<b>4 968</b>	<b>321</b>
At 31 March 2013				
Bank borrowings	1 185	572	3 410	99
Non-controlling interests	2	34	–	–
Obligations under finance leases	16	17	18	–
Derivative financial instruments	37	37	8	–
Trade and other payables	726	–	–	–
Financial guarantee contracts	18	–	–	–
	<b>1 984</b>	<b>660</b>	<b>3 436</b>	<b>99</b>

The table below analyses the group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Less than 1 year Rm	Between 1 and 2 years Rm	Between 2 and 5 years Rm	Over 5 years Rm
Exclusive of interest				
<b>At 31 March 2014</b>				
Interest rate swaps – cash flow hedges:				
❖ outflow	(19)	(1)	–	–
❖ inflow	–	41	27	–
	<b>(19)</b>	<b>40</b>	<b>27</b>	<b>–</b>
At 31 March 2013				
Interest rate swaps – cash flow hedges:				
❖ outflow	(37)	(37)	(22)	–
❖ inflow	–	–	14	–
	<b>(37)</b>	<b>(37)</b>	<b>(8)</b>	<b>–</b>

Other than as described above, the group does not expect any cash outflows on financial liabilities to occur significantly earlier, or for significantly different amounts.

# Notes to the consolidated financial statements continued

## 4. Financial risk management continued

### 4.2 Financial instruments by category

The table below reconciles the group's accounting categorisation of financial assets and financial liabilities (based on initial recognition) to the classes of assets and liabilities as shown on the face of the balance sheet:

	Loans and receivables Rm	Derivatives used for hedging Rm	Other financial liabilities at amortised cost Rm	Not categorised as a financial instrument Rm	Total Rm	Non- current Rm	Current Rm
<b>At 31 March 2014</b>							
<b>Financial assets</b>							
Investments in associates	8	–	–	24	32	32	–
Investments in joint ventures	–	–	–	117	117	117	–
Non-current receivables	50	–	–	14	64	64	–
Derivative financial instruments	–	67	–	–	67	67	–
Trade and other receivables	415	–	–	109	524	–	524
Cash and cash equivalents	1 715	–	–	–	1 715	–	1 715
<b>Financial liabilities</b>							
Interest-bearing borrowings	–	–	6 138	–	6 138	5 057	1 081
Obligations under finance leases	–	–	32	–	32	17	15
Derivative financial instruments	–	19	–	–	19	–	19
Trade and other payables	–	–	783	261	1 044	–	1 044
Deferred income	–	–	22	–	22	–	22
Other current liabilities	–	–	5	–	5	–	5
<b>At 31 March 2013</b>							
<b>Financial assets</b>							
Investments in associates	8	–	–	41	49	49	–
Investments in joint ventures	–	–	–	122	122	122	–
Non-current receivables	25	–	–	24	49	49	–
Trade and other receivables	541	–	–	92	633	–	633
Cash and cash equivalents	750	–	–	–	750	–	750
<b>Financial liabilities</b>							
Interest-bearing borrowings	–	–	4 286	–	4 286	3 354	932
Obligations under finance leases	–	–	44	–	44	32	12
Derivative financial instruments	–	82	–	–	82	45	37
Trade and other payables	–	–	726	258	984	–	984
Deferred income	–	–	21	–	21	–	21
Other current liabilities	–	–	400	–	400	–	400

### 4.3 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern and provide optimal returns for shareholders through maintaining an optimal capital structure.

The group defines capital as equity funding provided by shareholders and debt funding from external parties. Shareholder funding comprises permanent paid-up capital, share premium, revenue reserves and other reserves as disclosed in the balance sheet. Debt funding comprises loans from shareholders and banking institutions and net debt represents gross debt net of all cash reserves.

The board's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The board of directors monitors the cost of capital, which the group defines as the weighted average cost of capital, taking into account the group's internally calculated cost of equity (shareholder funding) and long-term cost of debt assumptions.

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound equity position. The group's debt capacity and optimal gearing levels are determined by the cash flow profile of the group and are measured through applicable ratios such as net debt to Ebitdar and interest cover which ratios were complied with throughout the year. These ratios provide a framework within which the group's capital base is managed. The group's current utilisation of debt facilities is shown in note 4.1(c) above.

In order to maintain or adjust the capital structure, in the absence of significant investment opportunities, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.



#### 4. Financial risk management continued

##### 4.3 Capital risk management continued

During 2014, the group's strategy was to ensure that net debt was no more than 2.2 times (2013: 2.2 times) Ebitdar and that Ebitdar covers net interest<sup>(1)</sup> by at least 3.0 times (2013: 3.0 times). Ebitdar, being the driver of profitability and equity contributor, is the critical measurement criteria used to manage debt and capital levels. No debt covenants over external borrowings were breached during the year under review. The covenants are monitored and reported to the board and chief operating decision-maker on a quarterly basis.

	2014	2013
	Rm	Rm
Total borrowings	6 154	4 330
Less: Cash and cash equivalents	(1 715)	(750)
Net debt	4 439	3 580
Ebitdar	4 214	3 886
Net debt/Ebitdar (times)	1.1	0.9
Interest cover <sup>(2)</sup> (times)	10.2	8.7

<sup>(1)</sup> Net interest = finance costs less interest received per the cash flow statement

<sup>(2)</sup> Interest cover = Ebitda, pre-exceptional items, divided by net finance costs per the cash flow statement

Apart from the external debt borrowing covenants, neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

##### 4.4 Fair value estimation

Financial instruments carried at fair value, by valuation method, are defined as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); or

Level 3 – inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

	2014	2013
	Rm	Rm
Fair value measurement using level 2 observable inputs:		
Derivative financial instrument – (asset)/liability (net)	(48)	82

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The group has no level 1 or level 3 financial instruments.

Specific valuation techniques used to value financial instruments included in level 2 include:

- ❖ Quoted market prices or dealer quotes for similar instruments;
- ❖ The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- ❖ The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The group had no outstanding forward foreign exchange contracts at 31 March 2014 and 2013.

The group has no other financial assets or liabilities measured at fair value.

##### 4.5 Offsetting

The derivatives are recognised financial instruments that are subject to enforceable master netting arrangements but are not offset, as at 31 March 2014. The gross asset of R67 million and gross liability of R19 million is shown on the face of the balance sheet. If all set-off rights were exercised the net impact on the group's statement of financial position would be an asset of R48 million. As at 31 March 2013 there were only derivative liabilities related to the hedge and as such the gross and net impact was a liability of R82 million.

# Notes to the consolidated financial statements continued

	2014		2013 Restated <sup>(3)</sup>	
	Rm Gross	Rm Net <sup>(1)</sup>	Rm Gross	Rm Net <sup>(1)</sup>
<b>5. Reconciliation of earnings attributable to equity holders of the company to headline earnings and adjusted earnings</b>				
Earnings attributable to equity holders of the company		1 877		1 627
Loss/(gain) on disposal of property, plant and equipment	3	2	(1)	(1)
Impairment of property, plant and equipment	16	14	9	9
Fair value loss on revaluation of previously held interest in associate	6	6	–	–
Impairment of goodwill	–	–	16	16
<b>Headline earnings</b>		<b>1 899</b>		<b>1 651</b>
Impairment of financial instruments, net of recoveries	2	3	4	4
Pre-opening expenses	–	–	6	4
Transaction costs	9	8	6	6
Restructuring costs	58	42	12	9
Settlement fee received net of expenses on termination of tenant leases	(21)	(14)	–	–
Settlement fee received on termination of management contract	–	–	(33)	(27)
<b>Adjusted headline earnings<sup>(2)</sup></b>		<b>1 938</b>		<b>1 647</b>
Number of shares in issue (million)		1 098		1 098
Weighted average number of shares in issue (million)		1 098		1 097
Basic and diluted earnings per share (cents)		170.9		148.3
Basic and diluted headline earnings per share (cents)		173.0		150.5
Basic and diluted adjusted headline earnings per share (cents)		176.5		150.1

<sup>(1)</sup> Net of tax and non-controlling interests

<sup>(2)</sup> Adjusted headline earnings are defined as earnings attributable to equity holders of the company adjusted for after tax exceptional items (including headline adjustments) that are regarded as sufficiently material and unusual that they would distort the numbers if they were not adjusted. This measure is not required by GAAP, is audited, is commonly used in the industry and used by management to make decisions on the application of resources, and is calculated on a basis consistent with the prior year

<sup>(3)</sup> Restatement in respect of IAS 19 Employee Benefits – refer notes 1b and 44 for details

	2014	2013
	Rm	Restated <sup>(3)</sup> Rm
<b>6. Reconciliation of operating profit to Ebitdar</b>		
Group Ebitdar pre-exceptional items is made up as follows:		
Operating profit	3 122	2 832
Add:		
Property rentals	221	193
Amortisation and depreciation	648	608
Long-term incentive expense	150	234
	4 141	3 867
Add: Exceptional losses	73	19
Loss/(gain) on disposal of property, plant and equipment	3	(1)
Settlement fee received net of expenses on termination of tenant leases	(21)	–
Settlement fee received on termination of management contract	–	(33)
Impairment of financial instruments, net of recoveries	2	4
Pre-opening expenses	–	6
Transaction costs	9	6
Impairment of property, plant and equipment	16	9
Restructuring costs	58	12
Impairment of goodwill	–	16
Fair value loss on revaluation of previously held interest in associate	6	–
<b>Ebitdar</b>	<b>4 214</b>	<b>3 886</b>

<sup>(3)</sup> Restatement in respect of IAS 19 Employee Benefits – refer notes 1b and 44 for details

## 7. Segmental analysis

In terms of IFRS 8 *Operating Segments* the chief operating decision-maker has been identified as the group's chief executive officer ('CEO') and the group executive committee ('GEC') (previously the group's board of directors). The group's CEO and the GEC review the group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the group's CEO and GEC which are used to make strategic decisions.

The group's CEO and GEC consider the business from both a business type and geographical basis, being hotels and gaming. All gaming segments and the South African hotels division conduct business in South Africa, with the offshore hotels division operating in other African countries, the Middle East and the Seychelles. Other gaming operations consist mainly of the Sandton Convention Centre, the StayEasy Century hotel and head office costs. The corporate segment includes the treasury and management function of the group.

Although the offshore hotels segment does not meet the quantitative thresholds of IFRS 8, management has concluded that the segment should be reported as it has a different risk and reward profile. It is closely monitored as it is expected to materially contribute to group revenue in the future.

The reportable segments derive their revenue and income from hotel and gaming operations.

The group's CEO and GEC assess the performance of the operating segments based on Ebitdar. The measure excludes the effects of long-term incentives and the effects of non-recurring expenditure. The measure also excludes all headline adjustments, impairments and fair value adjustments on non-current assets and liabilities. Interest income and finance costs are not included in the result for each operating segment as this is driven by the group treasury function which manages the cash and debt position of the group.

All revenue and income from gaming and hotel operations shown below is derived from external customers. No one customer contributes more than 10% to the group's total revenue.

Other than as mentioned above, there has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss from the last annual financial statements.

	Income		Ebitdar <sup>(1)(2)</sup>		Ebitdar margin		Amortisation and depreciation	
	2014 Rm	2013 Rm	2014 Rm	2013 Restated <sup>(3)</sup> Rm	2014 %	2013 Restated <sup>(3)</sup> %	2014 Rm	2013 Rm
Montecasino	2 415	2 266	1 088	1 026	45.1	45.3	95	83
Suncoast	1 517	1 440	717	692	47.2	48.1	104	102
Gold Reef City	1 298	1 218	514	479	39.6	39.3	65	74
Silverstar	648	602	263	237	40.6	39.4	39	49
The Ridge	400	387	186	187	46.5	48.3	25	26
Hemingways	336	303	138	125	41.1	41.3	45	22
Emnotweni	328	319	144	147	44.0	46.1	15	14
Golden Horse	318	303	146	150	46.1	49.5	34	30
Garden Route	179	173	78	76	43.7	43.9	14	13
Goldfields	142	136	57	60	40.3	44.1	9	9
Blackrock	139	135	54	53	38.8	39.3	9	7
The Caledon	135	128	35	32	25.7	25.0	6	6
Mykonos	132	134	57	59	43.1	44.0	6	7
Other gaming operations	123	104	(196)	(185)			9	11
Total gaming operations	8 110	7 648	3 281	3 138	40.5	41.0	475	453
South African hotels division <sup>(4)</sup>	2 153	1 937	737	613	34.2	31.6	151	139
Offshore hotels division	550	361	186	130	33.8	36.0	18	14
Pre-foreign exchange gains			153	93	27.8	25.8		
Foreign exchange gains			33	37				
Corporate	(46)	(36)	10	5			4	2
Group	10 767	9 910	4 214	3 886	39.1	39.2	648	608

<sup>(1)</sup> Refer note 6

<sup>(2)</sup> All casino units are reported pre-internal gaming management fees

<sup>(3)</sup> Restatement in respect of IAS 19 Employee Benefits – refer notes 1b and 44 for details

<sup>(4)</sup> Includes R48 million (2013: R39 million) intergroup management fees

# Notes to the consolidated financial statements continued

## 7. Segmental analysis continued

The segments' investments in associates and joint ventures and capital expenditure for the year ended 31 March are as follows:

	Associates and joint ventures		Capital expenditure restated <sup>(5)</sup>	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Gaming operations	32	49	965	759
South African hotels division	–	–	497	254
Offshore hotels division	117	122	129	15
Corporate	–	–	13	3
<b>Group</b>	<b>149</b>	<b>171</b>	<b>1 604</b>	<b>1 031</b>

<sup>(5)</sup> Restatement in respect of IAS 16 Property, Plant and Equipment – refer notes 1b and 44 for details

## 8. Other revenue

	2014 Rm	2013 Rm
Management fees earned	76	81
Theme Park revenue	97	96
Sandton Convention Centre revenue	86	68
Rentals received	163	165
Cinema revenue	39	16
Other revenue	203	176
	<b>664</b>	<b>602</b>

## 9. Gaming levies and VAT

	2014 Rm	2013 Rm
Gaming levies	644	605
VAT	767	736
	<b>1 411</b>	<b>1 341</b>

## 10. Property and equipment rentals

	2014 Rm	2013 Rm
Properties	221	193
Plant, vehicles and equipment	70	65
	<b>291</b>	<b>258</b>

## 11. Amortisation and depreciation

	2014 Rm	2013 Rm
<b>Amortisation of intangible assets</b>		
Casino licences and bid costs	12	13
Trademark	1	1
Computer software	26	30
	<b>39</b>	<b>44</b>
<b>Depreciation</b>		
<i>Owned assets</i>		
Properties	69	89
Plant, vehicles and equipment	515	466
	<b>584</b>	<b>555</b>
<i>Leased assets</i>		
Properties	25	9
<b>Total depreciation</b>	<b>609</b>	<b>564</b>
<b>Total amortisation and depreciation</b>	<b>648</b>	<b>608</b>

## 12. Employee costs

	2014 Rm	2013 Restated <sup>(1)</sup> Rm
Employee costs (including directors' remuneration):		
Salaries and wages	2 295	2 135
Pension – defined contribution plans	157	141
Other post-retirement benefits – medical aid	2	2
Long-term incentive expense – cash-settled	150	234
	<b>2 604</b>	<b>2 512</b>

## 13. Other operating expenses

	2014 Rm	2013 Rm
Other operating expenses comprise the following:		
Auditors' remuneration	27	25
Audit fees – current year	25	23
Tax services	1	1
Other services and expenses	1	1
Administration fees	2	2
Advertising, marketing and promotional costs	337	375
External consultants	36	38
Food and beverage costs and operating equipment usage	442	360
Impairment charge for bad and doubtful debts, net of reversals	7	2
Information technology-related costs	116	109
Net foreign exchange gains	(31)	(35)
Property costs – rates, water and electricity	462	413
Repairs and maintenance expenditure on property, plant and equipment	298	266
Rooms departmental expenses	218	176
Security and surveillance costs	140	122
Other operating expenses	564	487
Loss/(gain) on disposal of property, plant and equipment	3	(1)
Impairment of property, plant and equipment	16	9
Impairment of goodwill	–	16
Impairment of financial instruments	4	5
Reversal of impairment of financial instruments	(2)	(1)
Settlement fee received net of expenses on termination of tenant leases	(21)	–
Settlement fee received on termination of management contract	–	(33)
Fair value loss on revaluation of previously held interest in associate	6	–
Restructuring costs	58	12
Transaction costs	9	6
Pre-opening expenses	–	6
	<b>2 691</b>	<b>2 359</b>

<sup>(1)</sup> Restatement in respect of IAS 19 Employee Benefits – refer notes 1b and 44 for details

# Notes to the consolidated financial statements continued

<b>14. Interest income</b>		<b>2014</b>	2013
		<b>Rm</b>	Rm
Interest income on loans to associates		5	4
Interest received from banks and collective investment institutions		12	38
Interest income – other		4	3
		<b>21</b>	<b>45</b>
<b>15. Finance costs</b>		<b>2014</b>	2013
		<b>Rm</b>	Rm
Finance costs in respect of interest-bearing debt		390	400
Preference dividends		–	27
Interest on finance leases		4	6
Finance costs – other		1	–
Less: Interest capitalised at an average capitalisation rate of 2.756% <sup>(1)</sup> (2013: 5.88%) <sup>(2)</sup>		(1)	(3)
		<b>394</b>	<b>430</b>
<sup>(1)</sup> Current year rate in respect of foreign borrowings			
<sup>(2)</sup> Prior year rate in respect of non-controlling interests' loans			
<b>16. Income tax expense</b>		<b>2014</b>	2013
		<b>Rm</b>	Restated <sup>(1)</sup>
			Rm
<b>Income tax expense</b>			
Current tax – current year charge		712	780
Current tax – (over)/under provision prior year		(9)	43
Deferred tax – current year charge/(credit)		60	(92)
Deferred tax – under/(over) provision prior year		9	(35)
Withholding taxes		4	5
		<b>776</b>	<b>701</b>
<b>Other comprehensive income</b>			
<b>Tax relating to components of other comprehensive income on items that may be reclassified subsequently to profit or loss:</b>			
Cash flow hedges		(36)	9
<b>Tax relating to components of other comprehensive income on items that may not be reclassified subsequently to profit or loss:</b>			
Remeasurements of post-employment defined benefit liability		(1)	–
		<b>(37)</b>	<b>9</b>
<sup>(1)</sup> Restatement in respect of IAS 19 Employee Benefits – refer notes 1b and 44 for details			
		<b>2014</b>	2013
		<b>Rm</b>	Rm
		<b>%</b>	%
<b>Income tax rate reconciliation</b>			
Profit before income tax and share of profit of associates and joint ventures		2 749	2 447
Income tax thereon at 28% (2013: 28%)		770	686
Disallowed expenditure		23	25
Prior year charges (net)		–	8
Withholding taxes		4	5
Foreign tax rate differential		(21)	(23)
		<b>776</b>	<b>701</b>
		<b>28.2</b>	<b>28.6</b>
<b>17. Dividends declared</b>		<b>2014</b>	2013
		<b>Rm</b>	Rm
Final dividend		560	439
Interim dividend		318	263
		<b>878</b>	<b>702</b>
Final dividend declared on		<b>23 May 2013</b>	17 May 2012
Final dividend paid on		<b>18 June 2013</b>	11 June 2012
Final dividend cents per share		<b>51 cents</b>	40 cents
Interim dividend declared on		<b>21 November 2013</b>	19 November 2012
Interim dividend paid on		<b>17 December 2013</b>	18 December 2012
Interim dividend cents per share		<b>29 cents</b>	24 cents

## 18. Property, plant and equipment

	Land and buildings Rm	Leased land and buildings Rm	Properties under construction Rm	Plant and equipment Rm	Operating equipment Rm	Total Rm
<b>2014</b>						
Net book amount at 1 April 2013 restated	6 284	608	104	2 008	119	9 123
Additions	258	64	582	500	45	1 449
Capitalisation of borrowing costs	–	–	1	–	–	1
Acquisition of subsidiaries	869	–	–	70	5	944
Disposals and operating equipment usage	(1)	(1)	–	(12)	(32)	(46)
Depreciation charge	(69)	(25)	–	(515)	–	(609)
Impairments	(6)	–	–	(10)	–	(16)
Transfers	136	1	(287)	141	–	(9)
Currency translation	80	–	–	19	3	102
<b>Net book amount at 31 March 2014</b>	<b>7 551</b>	<b>647</b>	<b>400</b>	<b>2 201</b>	<b>140</b>	<b>10 939</b>
Cost	8 467	856	400	4 466	150	14 339
Accumulated depreciation	(916)	(209)	–	(2 265)	(10)	(3 400)
<b>Net book amount at 31 March 2014</b>	<b>7 551</b>	<b>647</b>	<b>400</b>	<b>2 201</b>	<b>140</b>	<b>10 939</b>
<b>2013</b>						
Net book amount at 1 April 2012 restated <sup>(1)</sup>	6 193	456	101	1 818	102	8 670
Additions	101	1	358	480	40	980
Acquisition of business	20	–	–	–	–	20
Capitalisation of borrowing costs	3	–	–	–	–	3
Disposals and operating equipment usage	–	–	–	(16)	(26)	(42)
Depreciation charge	(89)	(9)	–	(466)	–	(564)
Impairments	(7)	–	–	(2)	–	(9)
Transfers	15	160	(355)	180	–	–
Currency translation	48	–	–	14	3	65
<b>Net book amount at 31 March 2013 restated</b>	<b>6 284</b>	<b>608</b>	<b>104</b>	<b>2 008</b>	<b>119</b>	<b>9 123</b>
Cost	7 102	793	104	3 906	127	12 032
Accumulated depreciation	(818)	(185)	–	(1 898)	(8)	(2 909)
<b>Net book amount at 31 March 2013 restated</b>	<b>6 284</b>	<b>608</b>	<b>104</b>	<b>2 008</b>	<b>119</b>	<b>9 123</b>

<sup>(1)</sup> Restatement in respect of IAS 16 Property, Plant and Equipment – refer notes 1b and 44 for details

The group reassessed the useful lives of property, plant and equipment during the year. The impact on depreciation for the year was a credit of R48 million (2013: R29 million credit). During the prior year the group also reassessed the residual values of buildings, the impact on depreciation was a credit of R16 million for 2013. Management reviewed the residual values during the current year and the values remain appropriate.

Buildings, plant and equipment at Silverstar, with a book value of R16 million, were impaired during the year in anticipation of the redevelopment which was included under other operating costs. These assets will not be used in the refurbished property. During the prior year the Emnotweni Arena, with a book value of R9 million, was demolished to make way for new facilities.

	2014 Net book amount Rm	2013 Net book amount Rm
Bank borrowings (refer note 32) are secured over the following assets:		
Land and buildings	2 853	3 512
Plant and equipment	2 312	1 171
	<b>5 165</b>	<b>4 683</b>

Refer note 33 for details of assets held under finance leases.

# Notes to the consolidated financial statements continued

## 19. Investment property

	2014 Rm	2013 Rm
At cost		
At 1 April	7	–
Additions	45	7
Acquisition of subsidiaries	50	–
At 31 March	102	7
Cost	102	7
Accumulated depreciation	–	–
Net book amount at 31 March	102	7

The fair values of the investment properties in total was determined to be R110 million (2013: R15 million). Due to the residual values of the properties exceeding the carrying amounts, the properties have no depreciable value.

No valuation was performed in respect of the investment properties acquired during the year as the purchase prices were arm's-length transactions and therefore the purchase prices are considered to represent the fair values at 31 March 2014.

The investment property held at the beginning of the year was independently valued at R15 million on 22 October 2013 by Norman Griffiths, who is a registered professional valuer with the South African Council for the Property Valuers Profession as well as a member of the Institute of Valuers of South Africa. This is a level 2 fair value.

The level 2 basis of fair value is "market value" which is defined as an opinion of the best price at which the sale of an interest in property, taking into account existing tenant lease terms, would have been completed unconditionally for a cash consideration on the date of valuation assuming:

- ❖ a willing seller;
- ❖ that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as at the date of valuation;
- ❖ that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- ❖ that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

The property has been valued on a discounted cash flow basis. Discounted cash flows have been used and summed together with the capitalised and discounted value of the projected income to give a present value as at 31 March 2014. In order to determine the reversionary rental income on lease expiry, renewal or review, a market gross rental income (basic rental plus operating cost rental) has been applied to give a market-related rental value for the property as at 31 March 2014. Market rental growth has been determined based on the property, property market trends and economic forecasts. Vacancies have been considered based on historical and current vacancy factors as well as the nature, location, size and popularity of the building.

An appropriate discount rate has been applied to cash flows for the property to reflect the relative investment risk associated with the building, tenant and the projected income flow. The current long-term bond yield (R153 risk-free rate) is considered the most appropriate market-related discount rate to apply, taking into account the current and the relative attractiveness that an investor may place on property as an asset class.

A capitalisation rate of 11% (2013: 11%) was used.

The property rental income earned by the group from its investment property, all of which is leased out under operating leases, amounted to R2 million (2013: R3 million). Direct operating expenses arising on the investment property amounted to R363 000 (2013: R43 000).

No bank borrowings are secured by the group's investment property.



## 20. Goodwill

	2014 Rm	2013 Rm
At 1 April	2 093	2 109
Arising on acquisition of subsidiaries	13	–
Impairment	–	(16)
At 31 March	2 106	2 093
<b>Impairment test for goodwill</b>		
Goodwill is allocated and monitored based on the group's CGUs identified according to business segments as referred to in the segment analysis in note 7. An operating segment-level summary of the goodwill allocation is presented below:		
Montecasino	273	260
Suncoast	890	890
Gold Reef City	136	136
Silverstar	85	85
Golden Horse	43	43
Garden Route	19	19
Goldfields	20	20
Blackrock	94	94
Mykonos	17	17
The Caledon	175	175
South African hotels	347	347
Offshore hotels	7	7
	<b>2 106</b>	<b>2 093</b>

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets and five-year forecasts approved by the board of directors.

The key assumptions used for value-in-use calculations are as follows:

**Ebitdar margin** – Management determined budgeted gross Ebitdar margin based on past performance and its expectations of market development.

**Long-term growth rate** – Cash flows beyond the first five-year period are extrapolated using estimated long-term growth rates in order to calculate the terminal recoverable amount.

**Discount rate** – The discount rate is calculated by using both a weighted average cost of capital ('WACC') and the cost of debt ('COD') of the respective segments. WACC is calculated using a bond risk-free rate and an equity premium adjusted for specific risks relating to the relevant operating segments. COD is calculated by using the actual cost of borrowings. These two rates are then apportioned on a debt to equity ratio for each respective segment.

The following assumptions have been used for the analysis of the CGUs within the operating segments:

	2014			2013		
	Ebitdar margin %	Long-term growth rate %	Discount rate pre-tax %	Ebitdar margin %	Long-term growth rate %	Discount rate pre-tax %
Montecasino	38.2	6.0	10.8	36.6	6.0	11.1
Suncoast	41.0	6.0	10.8	40.2	6.0	11.1
Gold Reef City	33.3	6.0	10.8	33.2	6.0	11.1
Silverstar	39.5	6.0	10.8	39.6	6.0	11.1
Other gaming operations <sup>(1)</sup>	35.9	6.0	10.8	37.0	6.0	11.1
South African hotels	34.2	5.6	11.9	31.6	6.0	11.6
Offshore hotels	27.8	6.0	11.6	25.8	6.0	11.6

Based on the above calculations, the group has not identified any impairment to goodwill during the year under review.

The group's impairment reviews are sensitive to changes in the key assumptions described above. Based on the group's sensitivity analysis, a reasonable possible change in a single assumption will not cause an impairment loss in any of the group's CGUs.

<sup>(1)</sup> Includes the balance of the group's casino properties which have an allocation of goodwill

# Notes to the consolidated financial statements continued

## 21. Other intangible assets

	Casino licences and bid costs Rm	Computer software Rm	Trademarks Rm	Total Rm
<b>2014</b>				
Net book amount at 1 April 2013	4 182	47	8	4 237
Additions	121	33	–	154
Transfers	–	9	–	9
Amortisation charge	(12)	(26)	(1)	(39)
<b>Net book amount at 31 March 2014</b>	<b>4 291</b>	<b>63</b>	<b>7</b>	<b>4 361</b>
Cost	4 453	275	12	4 740
Accumulated amortisation	(162)	(212)	(5)	(379)
<b>Net book amount at 31 March 2014</b>	<b>4 291</b>	<b>63</b>	<b>7</b>	<b>4 361</b>
	1 year to indefinite	1 – 10 years	17 years	
Remaining lives of intangible assets				
<b>2013</b>				
Net book amount at 1 April 2012	4 158	66	9	4 233
Additions	37	11	–	48
Amortisation charge	(13)	(30)	(1)	(44)
Net book amount at 31 March 2013	4 182	47	8	4 237
Cost	4 332	246	12	4 590
Accumulated amortisation	(150)	(199)	(4)	(353)
Net book amount at 31 March 2013	4 182	47	8	4 237
	1 year to indefinite	1 – 10 years	18 years	
Remaining lives of intangible assets				

Casino licences that do not have an expiry date are considered to have an indefinite life, are not amortised and are tested annually for impairment on the same basis as goodwill (refer note 1d(v)). Refer note 20 for assumptions used in impairment testing. Casino licences having an expiry date are amortised over the exclusivity period of the respective licence.

There were no significant changes made to useful lives or residual values of other intangible assets during the year.

Casino licences and related bid costs are made up as follows:	2014 Rm	2013 Rm
<i>Indefinite lives:</i>		
Gold Reef City <sup>(1)(2)</sup>	1 765	1 725
Silverstar <sup>(1)(2)</sup>	1 112	1 072
Golden Horse <sup>(1)</sup>	554	554
Garden Route <sup>(1)</sup>	252	252
Goldfields <sup>(1)</sup>	258	258
Mykonos <sup>(1)</sup>	214	214
Montecasino <sup>(2)</sup>	70	34
<i>Definite lives:</i>		
Hemingways	48	52
Suncoast	10	18
Work in progress	8	3
	<b>4 291</b>	<b>4 182</b>

<sup>(1)</sup> Relate to the casinos on the reverse acquisition of Gold Reef during the year ended 31 March 2011

<sup>(2)</sup> During the year under review a CSI contribution of R116 million was made for 1 160 additional gaming positions for the benefit of Montecasino, Gold Reef City and Silverstar after approval was received from the Gauteng Gambling Board for these additional gaming positions

Bank borrowings (refer note 32) are secured over the following intangible assets:	2014 Net book amount Rm	2013 Net book amount Rm
Trademarks	7	8
Computer software	32	18
	<b>39</b>	<b>26</b>

## 22. Investments in associates

	2014 Rm	2013 Rm
<b>Unlisted</b>		
At 1 April	49	48
Investment in associate	7	–
Fair value loss on revaluation of previously held interest in associate	(6)	–
Associate now accounted for as subsidiary	(19)	–
Loans granted	–	3
Loan repayments	–	(3)
Impairment of loan to associate	–	(2)
Share of profit after tax and non-controlling interests of associates	4	6
Dividends received	(3)	(3)
At 31 March	32	49
<b>Capital</b>		
TMCTS Management Company (Pty) Limited	15	13
Three Groups Cinemas (Pty) Limited	9	3
Lukhanji Leisure (Pty) Limited	–	–
Richtrau 292 (Pty) Limited	–	–
Monte Cinemas (Pty) Limited <sup>(1)</sup>	–	25
Tsogo Sun Western Cape (Pty) Limited <sup>(2)</sup>	–	–
	24	41
<b>Loans</b>		
Lukhanji Leisure (Pty) Limited	–	–
Richtrau 292 (Pty) Limited	8	8
	8	8
<b>Total investment</b>	32	49

<sup>(1)</sup> Following the acquisition of the remaining 51% share in Monte Cinemas (Pty) Limited, in June 2013, it is now a wholly owned subsidiary

<sup>(2)</sup> Following the acquisition of the remaining 46% share in Tsogo Sun Western Cape (Pty) Limited, it is now a wholly owned subsidiary. The dormant entity was acquired for a R540 cash consideration and had R1 000 net asset value

The group has the following interests in its principal associates, all of which are incorporated in South Africa:

- ❖ 50% in TMCTS Management Company (Pty) Limited which is held together with The Magic Company (Pty) Limited which owns and operates entertainment venues across southern Africa, primarily in casino and resort locations. Its product offering comprises video games, redemption games, bowling and other amusement rides;
- ❖ 50% in Three Groups Cinemas (Pty) Limited. An additional 25% interest in Three Groups Cinemas (Pty) Limited was acquired in May 2013 for R6 million (previously the group held a 25% interest in the associate). Three Groups Cinemas (Pty) Limited operates cinemas at the group's Suncoast casino property;
- ❖ 25.1% in Lukhanji Leisure (Pty) Limited which owns and operates a casino in Queenstown, Eastern Cape. The investment has been fully impaired due to the associate's continuing trading losses and it is not considered to be immediately recoverable. The loan to Lukhanji Leisure (Pty) Limited of R48 million (2013: R45 million) has been reclassified to non-current receivables as it is no longer considered an equity loan. The loan has been provided for in full – refer note 24. The group has provided security for all Lukhanji Leisure (Pty) Limited's borrowing obligations in favour of Investec Limited to a capital amount of R12 million (2013: R18 million, plus interest and costs) – refer note 48; and
- ❖ 49% in Richtrau 292 (Pty) Limited which trades as a concept bookstore within the group's Montecasino property. The loan to Richtrau 292 (Pty) Limited is secured by a notarial bond registered over the assets of Richtrau 292 (Pty) Limited in favour of the group, is interest-free and has no fixed terms of repayment. The loan is not considered to be impaired.

Associates are equity accounted using management prepared information on a basis coterminous with the group's accounting reference date.

Summarised financial information for associates for total assets, total liabilities, revenue and profit or loss on a 100% basis is shown below:

	2014 Rm	2013 Rm
Assets	161	188
Liabilities	(220)	(217)
Revenue	166	193
Profit	2	4
The group's share of associates' unrecognised losses – year under review	(1)	(1)
The group's share of associates' unrecognised losses – cumulative	(5)	(4)

# Notes to the consolidated financial statements continued

## 23. Investments in joint ventures

	2014 Rm	2013 Rm
<b>Unlisted</b>		
At 1 April	122	122
Loans granted	1	4
Loans repaid	–	(1)
Impairment of joint venture	(1)	(3)
Share of loss after tax and non-controlling interests of joint ventures	(4)	–
Currency translation	(1)	–
At 31 March	117	122
<b>Capital</b>		
United Resorts and Hotels Limited	117	122
Indol (Pty) Limited	–	–
	117	122
<b>Loan</b>		
Indol (Pty) Limited	–	–
	–	–
<b>Total investment</b>	117	122

The group has the following interest in a joint venture:

- ❖ 50% in United Resorts and Hotels Limited, a hotel company established in the Seychelles.

The group's 50% interest in Indol (Pty) Limited was sold with effect from 24 April 2013 for Botswana Pula 1. The impaired loan of R17 million (2013: R16 million) remains payable following suspensive conditions in the sale agreement and has been reclassified to trade and other receivables – refer note 28.

The following total assets and liabilities of joint ventures are not included in the group's financial statements as the group accounts for its investments in joint ventures on an equity basis:

	2014 Rm	2013 Restated <sup>(1)</sup> Rm
Non-current assets	170	212
Current assets	59	63
Non-current liabilities	(1)	(71)
Current liabilities	(70)	(54)
The group's share of its joint ventures' losses for the year:		
Income	53	46
Less: Expenses	(57)	(52)
Net loss	(4)	(6)

<sup>(1)</sup> Restatement in respect of IAS 16 Property, Plant and Equipment – refer notes 1b and 44 for details

## 24. Non-current receivables

	2014 Rm	2013 Rm
At amortised cost		
<i>Financial instruments</i>		
Lukhanji Leisure (Pty) Limited	48	–
Loan to the Central Bank of Seychelles	1	2
Loan to JIA Piazzapark (Pty) Limited	2	2
Loan to The Corob Trust	17	–
Loan to small, medium and micro enterprise	–	1
Prepayments	31	22
Less: Provision for impairments	(49)	(2)
Lukhanji Leisure (Pty) Limited	(48)	–
Loan to the Central Bank of Seychelles	(1)	(2)
	50	25
<i>Non-financial instruments</i>		
Prepayments	14	24
	64	49

The loan to Lukhanji Leisure (Pty) Limited, an associate, bears interest at prime plus 1%. The group has subordinated this loan for the benefit of other creditors, limited to an amount of R34 million (2013: R33 million). The loan to Lukhanji Leisure (Pty) Limited has been reclassified to non-current receivables as it is no longer considered an equity loan. The loan has been provided for in full – refer note 22. The group has provided security for all Lukhanji Leisure (Pty) Limited's borrowing obligations in favour of Investec Limited to a capital amount of R12 million (2013: R18 million, plus interest and costs) – refer note 48.

The loan to the Central Bank of Seychelles was renegotiated in 2011 whereby interest on the loan was waived and new repayment terms agreed. An impairment of R3 million was raised in respect of this loan. A repayment of R1 million (2013: R1 million) was received during the current year in terms of the revised contract terms.

The loan to JIA Piazzapark (Pty) Limited comprises a working capital loan to an unlisted company bearing interest at the RSA 153 rate plus 2% payable quarterly. The loan is to be repaid on expiry of a management agreement by mutual agreement of the parties concerned.

The loan advanced to The Corob Trust relates to their share of an acquisition of a property jointly acquired with the group (refer note 52). The term of the loan is five years, and is interest-free for the first two years with interest accruing thereafter at the group's cost of borrowings.

Prepayments comprise mainly a prepaid property lease rental deposit by a subsidiary of the group in Nairobi which is carried at cost, together with an upfront rental payment by another of the group's subsidiaries in Maputo which is amortised over the period of the lease (both are considered refundable).

The maximum exposure to credit risk at the reporting date is the carrying value of the loans classified as non-current receivables. The group does not hold any collateral as security other than as shown above.

Other than as shown above, there were no disposals or impairment provisions in respect of non-current receivable assets in 2014 or 2013.

	2014 Rm	2013 Rm
Non-current receivable assets are denominated in the following currencies:		
SA Rand	32	21
US Dollar	32	28
	64	49

# Notes to the consolidated financial statements continued

## 25. Deferred income tax

	2014 Rm	2013 Restated <sup>(1)</sup> Rm
The gross movements on the deferred income tax account are as follows:		
Net deferred tax liability at 1 April	1 270	1406
Acquisition of subsidiaries	109	–
Income statement expense/(credit)	69	(127)
Deferred tax expense/(credit) relating to components of other comprehensive income	37	(9)
Currency translation	(2)	–
Net deferred tax liability at 31 March	1 483	1 270

The movement in deferred tax assets and liabilities during the year, without offsetting balances of entities within the group, is as follows:

	Accelerated tax allowances Rm	Other assets Rm	Provisions and accruals Rm	Deferred revenue Rm	Tax losses Rm	Fair value gains Rm	Total Rm
<i>Deferred tax liabilities</i>							
Deferred tax liability at 1 April 2012 restated <sup>(1)</sup>	1 496	108	(87)	(5)	12	(4)	1 520
Income statement expense/(credit)	67	(80)	(53)	1	(1)	–	(66)
Deferred tax relating to components of other comprehensive income	–	–	–	–	–	(5)	(5)
Deferred tax liability at 31 March 2013 restated	1 563	28	(140)	(4)	11	(9)	1 449
Acquisition of subsidiaries	109	–	–	–	–	–	109
Income statement expense/(credit)	45	(3)	(11)	(2)	9	–	38
Deferred tax relating to components of other comprehensive income	–	–	1	–	–	8	9
Currency translation	(2)	–	–	–	–	–	(2)
<b>Deferred tax liability at 31 March 2014</b>	<b>1 715</b>	<b>25</b>	<b>(150)</b>	<b>(6)</b>	<b>20</b>	<b>(1)</b>	<b>1 603</b>
<i>Deferred tax assets</i>							
Deferred tax asset at 1 April 2012	(45)	5	123	5	18	8	114
Income statement (expense)/credit	(18)	4	79	–	(4)	–	61
Deferred tax relating to components of other comprehensive income	–	–	–	–	–	4	4
Deferred tax asset at 31 March 2013	(63)	9	202	5	14	12	179
Income statement (expense)/credit	(26)	–	(10)	2	3	–	(31)
Deferred tax relating to components of other comprehensive income	–	–	–	–	–	(28)	(28)
<b>Deferred tax asset at 31 March 2014</b>	<b>(89)</b>	<b>9</b>	<b>192</b>	<b>7</b>	<b>17</b>	<b>(16)</b>	<b>120</b>
<b>Total net deferred tax liability/(asset)</b>	<b>1 804</b>	<b>16</b>	<b>(342)</b>	<b>(13)</b>	<b>3</b>	<b>15</b>	<b>1 483</b>

<sup>(1)</sup> Restatement in respect of IAS 19 Employee Benefits – refer notes 1b and 44 for details

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Deferred tax is provided on the full estimated tax loss of the group of R11 million (2013: R10 million) mainly incurred by Southern Sun Hotels (Tanzania) Limited.

## 26. Long-term incentive plans

The group operates various long-term incentive plans as follows:

### 26.1 Equity-settled – Gold Reef Share Scheme

	2014 Rm	2013 Rm
Amounts due by share scheme participants	27	30

The group operates an equity-settled, share-based compensation plan established in September 1999 which arose on acquisition of subsidiaries. Options over the company's shares were granted to permanent employees at the discretion of the directors in terms of which shares in the company may be acquired based on prices prevailing at the dates of granting the options. Delivery of the shares so acquired is effected in three equal tranches vesting over four years; one-third after two years, one-third after three years and one-third after four years. Shares acquired through the share scheme have to be paid for by the employees at the subscription prices as determined in the option contracts. Upon vesting and exercise of the options the subscription value is credited to share capital (nominal value) and share premium and debited to a non-current asset. The non-current asset is considered payable when the employees exercise the options and the options have vested. Any dividends paid on those shares are utilised to reduce the balance owing by the employees. Loans to participants incur interest at 6.5% (2013: 6.0%).

A complete accounting policy for the scheme is included in note 1z(vi) to these financial statements.

Movements in the number of unexercised share options outstanding are as follows:

	2014		2013	
	Number of shares	Average price R	Number of shares	Average price R
Awards/options at 1 April	953 676	16.00	1 881 756	16.00
Lapsed	(83 520)	16.00	(125 824)	16.00
Exercised and delivered	(142 093)	16.00	(723 523)	16.00
Exercised, delivered and sold	(93 068)	16.00	(78 733)	16.00
Awards/options at 31 March	634 995	16.00	953 676	16.00

Share options that have been exercised by employees are not regarded as outstanding.

There are no awards/options held by directors or other key management.

Total IFRS 2 *Share-based Payment* costs relating to equity-settled share-based payments in terms of the Gold Reef Share Scheme amounted to a credit of R0.5 million (2013: R0.2 million expense).

### 26.2 Cash-settled, share-based long-term incentive plan

During March 2009, the previous Gold Reef board approved, on the recommendation of the remuneration and nominations committee, the implementation of the long-term incentive plan to attract, retain, motivate and reward executive directors and management who are able to influence the performance of the company on a basis which aligns their interests with those of the company's shareholders. In terms of the long-term incentive plan management will receive cash payments based on the share price of the company on exercise date. This long-term incentive plan consists of three distinct components as detailed below:

Share appreciation units vest in three equal tranches; one-third after three years, one-third after four years and one-third after five years after grant date and are exercisable at the option of the recipient up until the end of six years after grant date. The amount settled is the difference between the company's share price on exercise date and the strike price. The strike price of the share appreciation units is the company's share price on grant date.

Bonus units have a mandatory vesting and exercise date of three years after grant date and are settled at the share price of the company on vesting date.

Performance units have a mandatory vesting and exercise date of three years after grant date and are settled at the share price of the company on vesting date, multiplied by a factor of 0 to 3 dependent on the increase in HEPS of the company for the three-year period as tabulated below:

Compound annual growth rate in HEPS	Multiplication factor
5.0% to 7.5%	0 – 1
7.5% to 10.0%	1 – 3

# Notes to the consolidated financial statements continued

## 26. Long-term incentive plans continued

### 26.2 Cash-settled, share-based long-term incentive plan continued

	Share appreciation units	Average strike price R	Bonus units	Performance units
Cash-settled in units at:				
<b>1 April 2013</b>	<b>1 971 469</b>	<b>17.04</b>	<b>226 378</b>	<b>297 681</b>
Forfeited	(154 070)	17.57	(6 790)	(13 640)
Transfers from associate	26 171	17.82	2 611	1 806
Exercised	(194 191)	17.05	(222 199)	(285 847)
<b>31 March 2014</b>	<b>1 649 379</b>	<b>17.04</b>	<b>–</b>	<b>–</b>
Units exercisable at 31 March 2014	<b>958 703</b>			
Number of employees granted units	<b>132</b>			
Number of employees remaining at year end	<b>96</b>			
Cash-settled in units at:				
1 April 2012	2 247 174	17.44	387 899	471 438
Forfeited	(272 431)	17.71	(29 205)	(39 631)
Transfers from associate	14 071	17.07	3 346	1 248
Exercised	(17 345)	16.00	(135 662)	(135 374)
<b>31 March 2013</b>	<b>1 971 469</b>	<b>17.04</b>	<b>226 378</b>	<b>297 681</b>
Units exercisable at 31 March 2013	568 720			
Number of employees granted units	132			
Number of employees remaining at year end	106			
	Share appreciation units	Bonus units	Performance units	
Grant date	21 February 2011	21 February 2011	21 February 2011	
Valuation date	31 March 2014	–	–	
Share price at valuation date	R26.00	–	–	
Vesting period	3 – 5 years	–	–	
Settlement	Cash	–	–	
Grant date	26 March 2010	26 March 2010	26 March 2010	
Valuation date	31 March 2014	–	–	
Share price at valuation date	R26.00	–	–	
Vesting period	3 – 5 years	–	–	
Settlement	Cash	–	–	
Grant date	20 March 2009	20 March 2009	20 March 2009	
Valuation date	31 March 2014	–	–	
Share price at valuation date	R26.00	–	–	
Vesting period	3 – 5 years	–	–	
Settlement	Cash	–	–	

The group recognised an expense of R8 million (2013: R17 million) related to the bonus appreciation plan during the year and at 31 March 2014 the group had recorded liabilities of R12 million (2013: R24 million) in respect of this plan. The current portion of this liability is R11 million (2013: R21 million). There are no units allocated to, nor are any units currently held by, directors of the company.

### 26.3 Cash-settled – Tsogo Sun Share Appreciation Bonus Plan

The Tsogo Sun Share Appreciation Bonus Plan is a bonus scheme whereby participants receive cash bonuses, the amounts of which are determined with reference to the growth in the company's share price. Participants under this bonus appreciation plan are not entitled to take up shares or options whatsoever. For certain allocations, 25% of the bonus appreciation plan vests from three years after date of allocation, an additional 25% vests after four years, and the balance after five years. Allocations from 1 April 2008 and after vest in full three years after date of allocation.

Liabilities equal to the current fair values are recognised at each balance sheet date. The moves in the fair value of these liabilities are expensed.

The fair value is expensed over the period as services are rendered by the employees. In terms of the rules, the fair values of the payments are determined using the seven-day volume weighted average trading price of the company's share prior to the determination of the fair value of the long-term incentive bonus. Dividends declared and paid post-merger post the grant date are added to the trading price in determining the fair value.



## 26. Long-term incentive plans *continued*

### 26.3 Cash-settled – Tsogo Sun Share Appreciation Bonus Plan *continued*

The following table summarises details of the bonus units awarded to participants per financial year, the units vested at the end of the year and expiry dates of each allocation:

Grant date	Appreciation units granted and still outstanding		Strike price <sup>(1)</sup> R	Appreciation units vested and still outstanding		Expiry date	Liability	Liability
	2014	2013		2014	2013		2014 Rm	2013 Rm
1 April 2006	–	1 180 631	13.49	–	1 180 631	31 March 2014	–	53
1 April 2007	<b>307 452</b>	362 709	19.87	<b>307 452</b>	362 709	31 March 2015	<b>10</b>	8
1 April 2008	–	963 982	21.10	–	963 982	31 March 2014	–	17
1 April 2009	<b>922 643</b>	1 239 512	15.10	<b>922 643</b>	1 239 512	31 March 2015	<b>46</b>	48
1 April 2010	<b>1 545 064</b>	1 946 257	15.08	<b>1 545 064</b>	1 946 257	31 March 2016	<b>77</b>	76
1 April 2011	<b>4 731 076</b>	5 627 490	15.06	<b>4 731 076</b>	–	31 March 2017	<b>67</b>	41
1 October 2011	<b>1 890 337</b>	1 890 337	18.78	–	–	30 September 2017	<b>15</b>	7
1 April 2012	<b>7 726 516</b>	8 400 352	17.66	–	–	31 March 2018	<b>56</b>	22
1 October 2012	<b>263 825</b>	263 825	19.71	–	–	30 September 2018	<b>1</b>	*
1 April 2013	<b>8 401 905</b>	–	24.56	–	–	31 March 2019	<b>9</b>	–
1 October 2013	<b>221 480</b>	–	25.51	–	–	30 September 2019	<b>*</b>	–
Liability at 31 March							<b>281</b>	272
Average share price utilised to value the liability at 31 March							<b>R27.00</b>	R24.75

<sup>(1)</sup> Grants prior to merger (24 February 2011) converted based on swap ratio of 3.553 Gold Reef shares for each TSH share

\* Amount less than R1 million

The group recognised an expense of R142 million (2013: R217 million) related to this bonus appreciation plan during the year and at 31 March 2014 the group had recorded liabilities of R281 million (2013: R272 million) in respect of this plan. The current portion of this liability is R200 million (2013: R203 million).

	2014 Rm	2013 Rm
<b>26.4 Total long-term incentive liabilities</b>		
Cash-settled, share-based long-term incentive plan (refer note 26.2)	<b>12</b>	24
The Tsogo Sun Share Appreciation Bonus Plan (refer note 26.3)	<b>281</b>	272
	<b>293</b>	296
Less: Current portion	<b>(211)</b>	(224)
Non-current portion	<b>82</b>	72

## 27. Inventories

	2014 Rm	2013 Restated <sup>(1)</sup> Rm
Food and beverage	<b>34</b>	31
Operating equipment	<b>34</b>	24
Consumable stores	<b>35</b>	30
	<b>103</b>	85

<sup>(1)</sup> Restatement in respect of IAS 16 Property, Plant and Equipment – refer notes 1b and 44 for details

The cost of inventories recognised as an expense and included in other operating expenses amounted to R410 million (2013: R334 million).

Inventories having a value of R55 million (2013: R46 million) have been pledged as security for the group's borrowings (refer note 32).

There were no impairments to inventories during the year under review (2013: Rnil).

# Notes to the consolidated financial statements continued

## 28. Trade and other receivables

	2014 Rm	2013 Rm
<i>Financial instruments</i>		
Trade receivables	296	265
Marketing fees receivable	30	21
Management fees receivable	2	6
Loan to Indol (Pty) Limited (previously a joint venture – refer note 23)	17	–
Advance payment related to casino licences	–	116
Advance payment for business acquisition	–	65
Other receivables	106	83
Less: Provision for impairment of receivables	(36)	(15)
Trade receivables	(18)	(14)
Loan to Indol (Pty) Limited	(17)	–
Other receivables	(1)	(1)
Trade and other receivables – net	415	541
Umgeni River Bird Park (Pty) Limited	–	10
Less: Provision for impairment	–	(10)
Umgeni River Bird Park (Pty) Limited – net	–	–
<i>Non-financial instruments</i>		
Prepayments	97	82
Straight-lining of operating leases	12	10
	109	92
Total trade and other receivables	524	633

The carrying value less impairment provision of trade receivables is assumed to approximate its fair value due to the short-term nature of trade receivables.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable as shown above. The group does not hold any collateral as security.

The group's 50% interest in Indol (Pty) Limited, previously a joint venture, was sold with effect from 24 April 2013 for Botswana Pula 1. The loan of R17 million (2013: R16 million) remains payable following suspensive conditions in the sale agreement and has been reclassified from investments in joint ventures – refer note 23. The loan remains impaired.

The value of the loan to Umgeni River Bird Park (Pty) Limited has been written off in full as the investment in the company was sold and the carrying value will not be realised.

	2014 Rm	2013 Rm
<i>Past due but not impaired – trade receivables</i>		
At 31 March 2014, trade receivables of R115 million (2013: R106 million) were past due but not impaired. These relate mainly to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:		
30 to 60 days	67	67
60 to 90 days	19	12
More than 90 days	29	27
	115	106
<i>Impairment – trade receivables</i>		
At 31 March 2014, trade receivables of R18 million (2013: R14 million) were impaired. The amount of the provision was R18 million as at 31 March 2014 (2013: R14 million). The individually impaired receivables mainly relate to returned cheques outstanding as well as cheques held in the cash desk, doubtful debtors and long-outstanding debtors. The impaired trade receivables relate to debtors that have been handed over to attorneys for collection and debtors that have been outstanding for more than one year. Movements on the provision for impairment of trade receivables are as follows:		
At 1 April	14	13
Acquisition of subsidiary	1	–
Provision for receivables impairment	7	4
Receivables (written off as uncollectible)/recovered during the year	(1)	1
Unused amounts reversed	(3)	(4)
At 31 March	18	14

## 28. Trade and other receivables *continued*

### *Past due but not impaired – other receivables*

At 31 March 2014, other receivables of R104 million (2013: R95 million) were past due but not impaired. These relate mainly to loans, banqueting debtors and vending commission. The ageing analysis of these other receivables is as follows:

	2014 Rm	2013 Rm
Up to 3 months	64	52
3 to 6 months	3	1
More than 6 months	37	42
	<b>104</b>	<b>95</b>

### *Impairment – other receivables*

At 31 March 2014, other receivables of R18 million (2013: R1 million) were impaired. The amount of the provision was R18 million as at 31 March 2014 (2013: R1 million). The individually impaired receivables mainly relate to uncollectibles and long-outstanding debtors. Movements on the provision for impairment of other receivables are as follows:

	2014 Rm	2013 Rm
At 1 April	1	–
Provision for receivables impairment	4	1
Reclassified joint venture loan	13	–
At 31 March	<b>18</b>	<b>1</b>

For both trade and other receivables the creation and release of provision for impaired receivables have been included in other expenses in the income statement (refer note 13). Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash. The other classes within trade and other receivables and management fee receivables do not contain past due or impaired assets. The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

	2014 Rm	2013 Rm
SA Rand	393	550
Nigerian Naira	31	–
Euro	30	10
Mozambican Metical	21	9
US Dollar	13	41
Tanzanian Shilling	10	7
Kenyan Shilling	9	6
Seychelles Rupee	8	1
Zambian Kwacha	7	8
United Arab Emirates Dirham	2	1
	<b>524</b>	<b>633</b>

## 29. Cash and cash equivalents

	2014 Rm	2013 Rm
Current accounts	686	453
Call and fixed deposit accounts	949	217
Cash	80	80
Net cash and cash equivalents per cash flow statement	<b>1 715</b>	<b>750</b>

Bank accounts having a value of R1 213 million (2013: R147 million) have been pledged as security for the group's borrowings (refer note 32).

The above cash and cash equivalents bear interest at market-related rates.

	2014 Rm	2013 Rm
Cash and cash equivalents are denominated in the following currencies:		
SA Rand	1 518	439
US Dollar	136	205
Euro	37	71
Nigerian Naira	10	–
United Arab Emirates Dirham	4	23
Mozambican Metical	3	7
Seychelles Rupee	3	2
Zambian Kwacha	2	2
Tanzanian Shilling	–	1
Kenyan Shilling	1	–
Other	1	–
	<b>1 715</b>	<b>750</b>

# Notes to the consolidated financial statements continued

## 30. Ordinary share capital and premium

	Number of ordinary shares	Number of treasury shares	Net number of shares	Ordinary share capital Rm	Share premium Rm	Treasury shares Rm	Total Rm
At 1 April 2012	1 182 765 988	(85 662 362)	1 097 103 626	4	4 782	(32)	4 754
Share options exercised and vested	–	921 666	921 666	–	–	15	15
Share options lapsed	–	(49 683)	(49 683)	–	–	(1)	(1)
At 31 March 2013	1 182 765 988	(84 790 379)	1 097 975 609	4	4 782	(18)	4 768
Share options exercised and vested	–	247 799	247 799	–	–	4	4
Share options lapsed	–	(64 907)	(64 907)	–	–	(1)	(1)
<b>At 31 March 2014</b>	<b>1 182 765 988</b>	<b>(84 607 487)</b>	<b>1 098 158 501</b>	<b>4</b>	<b>4 782</b>	<b>(15)</b>	<b>4 771</b>

The total authorised number of ordinary shares is 1 200 000 000 (2013: 1 200 000 000) with a par value of 2 cents per share (2013: 2 cents per share). All issued shares, other than those related to the Gold Reef Share Scheme, are fully paid up.

The company's authorised but unissued share capital was placed under the control of the directors until the forthcoming AGM with authority to allot and issue any shares required to be issued for the purpose of carrying out the terms of the Gold Reef Share Scheme, limited to a maximum of three million shares, at their discretion, subject to section 38 of the Companies Act of South Africa and the Listings Requirements of the JSE.

## 31. Other reserves

	Share buy-back reserve Rm	Transactions with non-controlling interests Rm	Cash flow hedge reserve Rm	Foreign currency translation reserve Rm	Total Rm
At 1 April 2012	–	(265)	(34)	69	(230)
Cash flow hedges:	–	–	(24)	–	(24)
Fair value losses during the year	–	–	(33)	–	(33)
Deferred tax on fair value losses	–	–	9	–	9
Currency translation adjustments	–	–	–	71	71
Obligation for subsidiary share buy-back scheme from non-controlling interests	(400)	–	–	–	(400)
At 31 March 2013	(400)	(265)	(58)	140	(583)
Cash flow hedges:	–	–	92	–	92
Fair value gains during the year	–	–	128	–	128
Deferred tax on fair value gains	–	–	(36)	–	(36)
Currency translation adjustments	–	–	–	86	86
Transactions with non-controlling interests	400	(109)	–	–	291
<b>At 31 March 2014</b>	<b>–</b>	<b>(374)</b>	<b>34</b>	<b>226</b>	<b>(114)</b>

### 32. Interest-bearing borrowings

	2014 Rm	2013 Rm
At amortised cost		
Bank borrowings	6 138	4 254
Non-controlling interests	–	32
	<b>6 138</b>	<b>4 286</b>
Less: Prepaid borrowing costs	(16)	–
	<b>6 122</b>	<b>4 286</b>
Analysed as:		
Non-current	5 045	3 354
Current portion	1 077	932
	<b>6 122</b>	<b>4 286</b>
Secured	6 122	4 254
Unsecured	–	32
	<b>6 122</b>	<b>4 286</b>
The maturity of borrowings is as follows:		
Not later than 1 year	1 077	932
Later than 1 year and not later than 5 years	4 802	3 257
Later than 5 years	243	97
	<b>6 122</b>	<b>4 286</b>
The following represents the book amount of the security for these borrowings:		
Property, plant and equipment (refer note 18)	5 165	4 683
Intangible assets (refer note 21)	39	26
Inventories (refer note 27)	55	46
Pledge of cash in bank accounts (refer note 29)	1 213	147
Cession of Tsogo Sun shares (treasury shares)	578	565
	<b>7 050</b>	<b>5 467</b>
The carrying amounts of the group's borrowings are denominated in the following currencies:		
SA Rand	5 486	4 286
US Dollar	636	–
	<b>6 122</b>	<b>4 286</b>
The group has the following committed direct facilities (from banks and prior year, non-controlling interest lenders):		
Expiring within 1 year	1 761	1 735
Expiring beyond 1 year	6 502	6 172
	<b>8 263</b>	<b>7 907</b>
	%	%
Weighted average effective interest rates (excluding leases and premium, including cash held on call accounts)	<b>7.70</b>	9.17

The borrowings of the group do not exceed that allowed per the memorandum of incorporation.

The undrawn facility of the committed direct bank borrowings amounted to R2 125 million (2013: R3 621 million).

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments and are within level 2 of the fair value hierarchy. The fair values of long and medium-term borrowings are based on cash flows discounted using commensurate variable rates chargeable by both SA Rand and US Dollar lenders of the above loans ranging between 2.73% and 8.03% (2013: 5.35% and 7.28%). The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. All borrowings bear interest at floating rates (refer note 4.1a(ii)). All interest rates are market-related in terms of the group's current credit rating with financial institutions.

The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Analysis of long and medium-term borrowings				
Bank borrowings	5 045	3 322	5 025	3 337
Non-controlling interests	–	32	–	32
	<b>5 045</b>	<b>3 354</b>	<b>5 025</b>	<b>3 369</b>

# Notes to the consolidated financial statements continued

## 33. Obligations under finance leases

	2014 Rm	2013 Rm
Total liability	32	44
Less: Current portion	(15)	(12)
Non-current portion	17	32
The minimum lease payments under the lease liabilities are due as follows:		
Not later than 1 year	17	17
Later than 1 year and not later than 5 years	18	35
Later than 5 years	–	–
	35	52
Future finance charges on finance leases	(3)	(8)
Present value of finance lease liabilities	32	44
The present value of finance lease liabilities is as follows:		
Not later than 1 year	16	16
Later than 1 year and not later than 5 years	16	28
Later than 5 years	–	–
	32	44

Two properties of the group have been financed by means of finance leases with banking institutions. Interest rates for the two leases are 12.11% and 12.19% (2013: 12.11% and 12.19%) and the leases expire between calendar years 2015 and 2016. On expiry of these leases, all the risks and rewards of ownership of the properties will transfer to the group.

Leased land and buildings with a net book value of R32 million (2013: R44 million) are included in note 18 which have been pledged as security over these leases.

## 34. Derivative financial instruments

### Interest rate swaps

The full fair value of a derivative financial instrument is classified as a non-current asset or liability if the remaining maturity of the hedging instrument is more than 12 months, and as a current asset or liability if the maturity of the hedging instrument is less than 12 months.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets and liabilities in the balance sheet.

	2014 Rm	2013 Rm
Interest rate swaps – cash flow hedges:		
Tsogo Sun (Pty) Limited	(50)	50
Silverstar Casino (Pty) Limited	2	32
Net (assets)/liabilities	(48)	82
Less: Current portion liability	(19)	(37)
Non-current portion (asset)/liability	(67)	45

There was no ineffectiveness on the recorded net investment in the cash flow hedges.

The notional amounts of the outstanding interest rate swap contracts for Tsogo Sun (Pty) Limited at 31 March 2014 were:

R800 million (2013: Rnil), commenced 31 March 2014, with a fixed rate of 7.68%, maturing 31 March 2018;

R1 500 million (2013: Rnil) with a fixed rate of 6.46% maturing 31 March 2018;

Rnil (2013: R450 million) with a fixed rate of 6.49%, matured 31 March 2014; and

Rnil (2013: R750 million) with a fixed rate of 7.23%, matured 31 March 2014.

The above swap floating rates are linked to the three-month JIBAR rate. Gains and losses are recognised in the hedging reserve directly in other comprehensive income (after tax).

The notional amount of the outstanding interest rate swap contract for Silverstar Casino (Pty) Limited at 31 March 2014 was:

R660 million (2013: R780 million) with a fixed rate of 7.22%, excluding credit and liquidity margins, maturing 3 April 2018. This swap floating rate is linked to the one-month JIBAR rate.

### 35. Post-employment benefits

#### Pension

The group operates two pension funds: the Tsogo Sun Group Pension Fund and the Southern Sun Group Retirement Fund. Both are defined contribution funds, governed by the Pension Funds Act, 1956, which provide retirement and death benefits for all permanent, full-time employees who are not members of any other approved pension or provident fund.

#### Provident fund

The group also operates three provident funds: the Alexander Forbes Retirement Fund, the Gold Reef Provident Fund and the Gold Reef Executive Provident Fund. All are defined contribution funds, governed by the Pension Funds Act, 1956, which provide retirement and death benefits for all permanent, full-time employees who are not members of any other approved pension or provident fund.

#### Medical aid

The group operates a closed fund defined benefit plan for a portion of the medical aid members. The assets of the funded plans are held independently of the group's assets. This fund is valued by independent actuaries every year using the projected unit credit method.

	Present value of obligation	Fair value of plan assets	Total
	Rm	Rm	Rm
The movement in the defined benefit obligation is as follows:			
<b>2014</b>			
At 1 April 2013 restated	39	(26)	13
Other post-retirement benefits – medical aid	3	(1)	2
Current service cost	–	–	–
Interest expense/(income)	3	(1)	2
<i>Remeasurements:</i>	(6)	1	(5)
Gain from change in demographic assumptions	(1)	–	(1)
Gain from change in financial assumptions	(3)	(1)	(4)
Return on plan assets, excluding amounts included in interest expense/(income)	–	2	2
Experience gains	(2)	–	(2)
<b>At 31 March 2014</b>	<b>36</b>	<b>(26)</b>	<b>10</b>
<b>2013</b>			
At 1 April 2012 restated <sup>(1)</sup>	37	(25)	12
Other post-retirement benefits – medical aid	4	(2)	2
Current service cost	1	–	1
Interest expense/(income)	3	(2)	1
<i>Remeasurements:</i>	(2)	1	(1)
Gain from change in demographic assumptions	(4)	–	(4)
Gain from change in financial assumptions	4	(1)	3
Return on plan assets, excluding amounts included in interest expense/(income)	–	2	2
Experience gains	(2)	–	(2)
<b>At 31 March 2013 restated</b>	<b>39</b>	<b>(26)</b>	<b>13</b>

<sup>(1)</sup> Restatement in respect of IAS 19 Employee Benefits - refer notes 1b and 44 for details

The fund is actively managed and returns are based on both the expected performance of the asset class and the performance of the fund managers. The assets of the medical aid scheme comprises cash for both 2014 and 2013 with values of R26 million for both years.

The expected long-term rate of return on medical aid assets is 8.90% (2013: 7.90%). This is determined by using a standard 1% margin on the assumed rate of discount. The discount rate of 8.90% per annum is based on current bond yields of appropriate term gross of tax as required by IAS 19 *Employee Benefits*. South Africa does not have a deep market in high-quality corporate bonds. The discount rate is therefore determined by reference to current market yields on government bonds.

No contributions are expected to be paid into the group's defined benefit scheme during the annual period after 31 March 2014 (2013: Rnil).

	2014	2013
	%	%
The principal actuarial assumptions used for the valuation were:		
Discount rate	8.90	7.90
Healthcare cost inflation	8.30	8.00
Expected return on plan assets	8.90	7.90
Remuneration inflation	7.80	7.50
	Decrease	Increase
	Rm	Rm
At 31 March 2014, the effects of a 1% movement in the assumed medical cost trend rate were as follows:		
Effect on the current service cost and interest cost	3 058	3 709
Effect on the post-retirement medical aid liability	32 830	39 861

# Notes to the consolidated financial statements continued

## 36. Deferred revenue and income

The group accounts for its hotel customer reward programmes in terms of IFRIC 13 *Customer Loyalty Programmes* with the liability on the balance sheet allocated to deferred revenue, while the gaming customer reward programmes are accounted for in terms of IAS 39 *Financial Instruments: Recognition and Measurement* with this liability allocated to deferred income on the balance sheet.

	2014 Rm	2013 Rm
<i>Deferred revenue</i>		
At 1 April	70	60
Created during the year	66	68
Utilised during the year	(65)	(58)
At 31 March	71	70
The expected timing of the recognition of the deferred revenue is within three years (2013: three years) as follows:		
Non-current	21	47
Current	50	23
	71	70
<i>Deferred income</i>		
At 1 April	21	14
Created during the year	65	60
Utilised during the year	(64)	(53)
At 31 March	22	21
The expected timing of the recognition of the deferred income is within one year (2013: one year) and is considered current.		
Total deferred revenue and income		
Split as follows:		
Non-current	21	47
Current	72	44
	93	91

## 37. Provisions

	2014 Rm	2013 Rm
<b>At 1 April</b>		
Long-service awards	131	106
Incentives	219	160
Jackpot provisions	16	14
	366	280
<b>Created during the year</b>		
Long-service awards	15	33
Incentives	182	198
Jackpot provisions	27	26
	224	257



### 37. Provisions continued

	2014 Rm	2013 Rm
<b>Utilised during the year</b>		
Long-service awards	(8)	(8)
Incentives	(205)	(139)
Jackpot provisions	(29)	(24)
	<b>(242)</b>	<b>(171)</b>
<b>At 31 March</b>		
Long-service awards	138	131
Incentives	196	219
Jackpot provisions	14	16
<b>Provisions</b>	<b>348</b>	<b>366</b>
Less: Current portion	(237)	(253)
Non-current portion	111	113

#### Long-service awards

The group pays its employees a long-service benefit. The benefit is paid when employees reach predetermined years of service. The method of accounting and frequency of valuation are similar to those used for defined benefit schemes. The actuarial valuation to determine the liability is performed annually by independent actuaries every year using the projected unit credit method.

	2014 Rm	2013 Rm
Movement in unfunded obligation:		
Benefit obligation at 1 April	131	106
Interest cost	10	10
Service cost	15	12
Actuarial (gain)/loss	(10)	11
Benefits paid	(8)	(8)
Obligation at 31 March	<b>138</b>	<b>131</b>
The amounts recognised in the income statement are as follows:		
Interest cost	10	10
Current service cost	15	12
Actuarial (gain)/loss	(10)	11
	<b>15</b>	<b>33</b>

The principal actuarial assumptions used for accounting purposes are:

Discount rate	9.10%	7.20%
Inflation rate	6.30%	5.60%
Salary increase rate	6.80%	6.10%
Pre-retirement mortality rate	SA 85 – 90 (Light) table	SA 85 – 90 (Light) table

The present value of the long-service award obligations for the current and prior years are as follows:

Present value of unfunded obligations	138	131
Experience adjustment on plan obligations	–	–

There are no plan assets in respect of the long-service award liability.

#### Incentives

The group also recognises a provision for bonus plans based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments and the performance of the respective employees. These criteria are only finalised after the group's year end.

#### Jackpot provisions

Provision is also made for the potential jackpot payouts on slot machines and table progressives and is based on the meter readings. Due to the nature of the jackpot provisions the timing of their utilisation is uncertain, however, it is not expected to be longer than 12 months.

# Notes to the consolidated financial statements continued

38. Other non-current liabilities	2014	2013
	Rm	Rm
Straight-lining of operating leases	286	267
Less: Current portion classified within trade and other payables (refer note 39)	(17)	(9)
Non-current portion	269	258
The straight-lining of operating leases relates mainly to Sandton Convention Centre. The lease expires in August 2020.		
39. Trade and other payables	2014	2013
	Rm	Rm
<i>Financial instruments</i>	783	726
Trade payables	143	141
Accrued expenses	161	131
Advance deposits	76	54
Smartcard gaming credits due to customers	30	26
Capital expenditure payables	21	44
Non-borrowings-related interest payable	17	11
Other payables	335	319
<i>Non-financial instruments</i>	261	258
VAT payable	71	83
Leave pay liability	103	97
Payroll-related payables	46	45
Gaming levies	24	24
Current portion of non-current liabilities (refer note 38)		
– straight-lining of operating leases	17	9
	1 044	984
The carrying values of trade payables are assumed to approximate their fair values due to the short-term nature of trade and other payables.		
Other payables comprise mainly sundry creditors, unidentified deposits and deposits under query.		
The carrying amounts of the group's trade and other payables are denominated in the following currencies:		
SA Rand	937	912
Nigerian Naira	41	–
Seychelles Rupee	15	12
Kenyan Shilling	12	10
US Dollar	11	24
Mozambican Metical	10	9
Zambian Kwacha	9	9
Tanzanian Shilling	8	7
United Arab Emirates Dirham	1	1
	1 044	984

40. Other current liabilities	2014	2013
	Rm	Rm
Obligation for subsidiary share buy-back scheme from non-controlling interests	5	400

IAS 32 *Financial Instruments: Presentation* Paragraph 23 determines that a contract containing an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount. This is the case even if the contract itself is an equity instrument. Such obligations are reclassified out of equity attributable to the owners of the parent at the present value of the contractual redemption amount.

In the prior year, two subsidiaries of the group, Durban Add-Venture Limited and Adventure World Management (Pty) Limited, had made offers to their non-controlling shareholders to acquire Durban Add-Venture Limited and Adventure World Management (Pty) Limited shares. Durban Add-Venture Limited and Adventure World Management (Pty) Limited would be repurchasing their own shares. The offer had been made by way of a circular to the Durban Add-Venture Limited shareholders and an agreement with the Adventure World Management (Pty) Limited shareholders. Durban Add-Venture Limited has a direct shareholding in Tsogo Sun KwaZulu-Natal (Pty) Limited and Adventure World Management (Pty) Limited has a 0.39% interest in Durban Add-Venture Limited.

The offer was for R350 million for the Durban Add-Venture Limited shares and R50 million for the Adventure World Management (Pty) Limited shares. The effect of this offer was for the group to repurchase the remaining 10% non-controlling interest in Tsogo Sun KwaZulu-Natal (Pty) Limited from the non-controlling shareholders. The non-controlling shareholders had therefore been provided with a mechanism of putting their shares to Durban Add-Venture Limited and Adventure World Management (Pty) Limited for a cash consideration. Approval for the transaction was obtained from the gaming board on 10 May 2013. The outstanding amount at 31 March 2014 relates to untraceable shareholders following the close out of the transaction.

#### 41. Cash generated from operations

	2014 Rm	2013 Restated <sup>(1)</sup> Rm
<b>Operating profit</b>	<b>3 122</b>	<b>2 832</b>
<i>Adjusted for non-cash movements:</i>		
Amortisation	39	44
Depreciation	609	564
Impairment charge for bad and doubtful debts, net of reversals	7	2
Operating equipment usage	60	39
Straight-lining of operating leases and other lease adjustments	24	(1)
Movement in provisions	224	256
Long-term incentive expense	150	234
Fair value loss on revaluation of previously held interest in associate	6	–
Loss/(gain) on disposal of property, plant and equipment	3	(1)
Impairment of property, plant and equipment	16	9
Impairment of financial instruments	4	5
Reversal of impairment of financial instruments	(2)	(1)
Impairment of goodwill	–	16
Translation impact on the income statement	4	(37)
Other non-cash moves	(5)	25
Cash generated from operations before working capital movements	<b>4 261</b>	<b>3 986</b>
<b>Working capital movements</b>		
Increase in inventories	(42)	(4)
Increase in trade and other receivables	(29)	(34)
Decrease in payables and provisions	(426)	(142)
Cash generated from operations	<b>3 764</b>	<b>3 806</b>

<sup>(1)</sup> Restatement in respect of IAS 16 Property, Plant and Equipment and IAS 19 Employee Benefits – refer notes 1b and 44 for details

#### 42. Income tax paid

	2014 Rm	2013 Rm
Tax asset at 1 April	34	21
Current tax provided	(703)	(823)
Withholding tax	(4)	(5)
Currency translation	–	(1)
Tax asset at 31 March	(83)	(34)
	<b>(756)</b>	<b>(842)</b>

#### 43. Dividends paid to the company's shareholders

	2014 Rm	2013 Rm
Unclaimed dividends owing to shareholders at 1 April	(1)	(1)
Ordinary dividends declared	(878)	(702)
Unclaimed dividends owing to shareholders at 31 March	1	1
	<b>(878)</b>	<b>(702)</b>

# Notes to the consolidated financial statements continued

## 44. Prior year restatements

As explained in note 1b *Changes in accounting policies*, the amendments to IAS 16 *Property, Plant and Equipment* and IAS 19 *Employee Benefits* have had an impact on the group's financial statements which have been summarised below:

	Restated Rm	
The following are the impacts of the restatements for the year ended 31 March 2013:		
<b>Income statement</b>		
Other post-retirement benefits – medical aid expense as previously stated		–
Adjustment in respect of amended IAS 19		(2)
Other post-retirement benefits – medical aid expense restated		(2)
<b>Other comprehensive income</b>		
Other comprehensive income as previously stated		1 801
Adjustment in respect of amended IAS 19		(1)
Other comprehensive income restated		1 800
<b>Cash flow</b>		
Operating profit as previously stated		2 834
Adjustment in respect of amended IAS 19		(2)
Operating profit restated		2 832
Adjusted non-cash movements:		1 154
Non-cash movements as previously stated		1 131
Adjustment in respect of amended IAS 16		21
Adjustment in respect of amended IAS 19		2
Cash generated from operations before working capital movements before and after restatement		3 986
Working capital movements restated		(180)
Working capital movements as previously stated		(216)
Adjustment in respect of amended IAS 16		36
Cash generated from operations restated		3 806

	31 March 2013 Restated Rm	1 April 2012 Restated Rm
The following are the impacts of the restatements as at		
<b>Balance sheet</b>		
Property, plant and equipment as previously stated	9 004	8 568
Adjustment in respect of amended IAS 16	119	102
Property, plant and equipment restated	9 123	8 670
Inventories as previously stated	204	176
Adjustment in respect of amended IAS 16	(119)	(102)
Inventories restated	85	74
Post-employment benefit liability as previously stated	23	23
Adjustment in respect of amended IAS 19	(10)	(11)
Post-employment benefit liability restated	13	12

### Deferred tax liability

Deferred tax liability as previously stated	1 446	1 517
Adjustment in respect of amended IAS 19	3	3
Restated balance	1 449	1 520

The above mentioned changes in accounting policies have been applied retrospectively and reduced earnings per share from 148.5 cents to 148.3 cents, a decrease of 0.2 cents per share for 2013.

## 45. Commitments

	2014 Rm	2013 Rm
Operating lease commitments (refer note 46)	1 990	1 233
The present value of the lease guarantees in note 46 and commitments above is R1 175 million (2013: R861 million).		

#### 46. Operating lease arrangements

	2014 Rm	2013 Rm
<i>Operating lease arrangements where the group is a lessee:</i>		
At the balance sheet date the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:		
Not later than 1 year	175	138
Later than 1 year and not later than 5 years	713	558
Later than 5 years	1 102	537
	<b>1 990</b>	<b>1 233</b>

The operating lease commitments relate mainly to leases of property within the group's portfolio of hotels, as well as its head office and Sandton Convention Centre. The group's main lease, the Sandton Convention Centre, expires in August 2020 with lease payments escalating at 9% per annum, and an option to renew at renegotiated terms.

#### *Operating lease arrangements where the group is a lessor:*

The group rents out retail and commercial office space in its gaming and hotels properties. Property rental income earned during the year was R163 million (2013: R165 million).

The majority of the group's operating leases are revenue-based, and the balance have rentals stipulated in terms of operating lease agreements. At the balance sheet date the group had contracted with tenants for the following future minimum lease payments:

	2014 Rm	2013 Rm
Not later than 1 year	79	66
Later than 1 year and not later than 5 years	133	126
Later than 5 years	4	3
	<b>216</b>	<b>195</b>

#### 47. Future capital expenditure

	2014 Rm	2013 Rm
Authorised by directors but not yet contracted for:		
Property, plant and equipment	3 243	1 915
Intangible assets: software	62	175
	<b>3 305</b>	<b>2 090</b>
Authorised by directors and contracted to be expended:		
Property, plant and equipment	896	350
Intangible assets: software	119	60
	<b>1 015</b>	<b>410</b>

#### 48. Contingencies and guarantees

The group has entered into various agreements with its bankers and the respective gambling boards whereby the bank has guaranteed agreed capital amounts not exceeding R158 million (2013: R158 million) for gambling board taxes and working capital. The group has also entered into various agreements with its bankers and respective utility boards and municipalities whereby the bank has guaranteed agreed capital amounts not exceeding R21 million (2013: R20 million) for utility expenses.

The group has provided the following securities:

Lukhanji Leisure (Pty) Limited's (an associate) borrowing obligations in favour of Investec Limited to a capital amount of R12 million (2013: R18 million plus interest and costs) – refer notes 22 and 24;

Indol (Pty) Limited's (a previously held joint venture, a company incorporated in Botswana) banking facilities in favour of Bank of Gaborone for a capital amount to the maximum of Botswana Pula 12.1 million – refer notes 23 and 28. This amount has been raised and included in trade and other payables;

Ikoyi Hotels Limited's (a subsidiary company incorporated in Nigeria) borrowing obligations in favour of Absa to a capital amount not exceeding US\$20 million (2013: US\$nil);

Southern Sun (Mozambique) Limited's (a subsidiary company incorporated in Mozambique) borrowing obligations in favour of Absa to a capital amount not exceeding US\$18million (2013: US\$nil); and

Southern Sun Africa's (a subsidiary company incorporated in Mauritius) borrowing obligations in favour of Absa to a capital amount not exceeding US\$34 million (2013: US\$nil).

# Notes to the consolidated financial statements continued

## 49. Business combinations

### 49.1 Acquisition of Ikoyi Hotels Limited

With effect from 29 June 2013, the group acquired 75.55% of the shares of Ikoyi Hotels Limited, the company which owns the Southern Sun Ikoyi hotel, previously a managed property, in line with the group's strategy of owning its hotel properties. This company carries on the business of owning and operating hotels.

The fair value of the consideration paid for the property is R505 million (US\$50.6 million) cash. Due to the value of the net assets acquired equating to the consideration paid, no goodwill has arisen on this acquisition.

The group consolidated the results of the hotel with effect from 29 June 2013. The acquired business contributed revenues of R140 million and profit after tax, including exceptional and acquisition costs of R10 million, of R40 million to the group for the year from acquisition date. Had the acquisition occurred on 1 April 2013, revenue would have increased by R47 million and profit after tax would have increased by R20 million excluding the funding impact of the acquisition. These amounts have been calculated using the group's accounting policies.

Details of net assets acquired and goodwill are as follows:

	Rm
Purchase consideration (cash)	505
Fair value of net assets acquired	(668)
Non-controlling interests	163
Goodwill	–

	Fair value Rm
Details of net assets acquired:	
<b>Non-current assets</b>	
Property, plant and equipment	928
Investment property	50
<b>Current assets</b>	
Inventories	4
Trade and other receivables	18
Cash and cash equivalents	8
<b>Non-current liabilities</b>	
Borrowings	(191)
Deferred tax liabilities	(108)
<b>Current liabilities</b>	
Trade and other payables	(41)
<b>Total identifiable net assets acquired</b>	<b>668</b>
Less: Non-controlling interests	(163)
<b>Net assets acquired</b>	<b>505</b>
Add: Goodwill	–
<b>Total purchase consideration</b>	<b>505</b>
Purchase consideration settled in cash	(505)
Cash balances net of overdrafts acquired	8
<b>Net cash outflow on acquisition</b>	<b>(497)</b>

The non-controlling interests have been determined using their proportionate share of the net identifiable assets.

The fair value of trade and other receivables of R18 million includes trade receivables with a fair value of R16 million. The gross contractual amount for trade receivables due is R18 million. All trade debtors are expected to be collectible.

#### 49. Business combinations continued

##### 49.2 Acquisition of Monte Cinemas (Pty) Limited

With effect from 1 July 2013, the group acquired an additional 51% share in Monte Cinemas (Pty) Limited, an associate of the group, for a consideration of R20 million. This brought the group's shareholding to 100%. This company carries on the business of owning and operating cinemas.

Goodwill arising on this acquisition was R13 million and is attributable to the expected future growth of the business. None of the goodwill is expected to be deductible for income tax purposes.

The group consolidated the results of the business with effect from 1 July 2013. The acquired business contributed revenues of R33 million and profit after tax of R4 million to the group for the year from acquisition date. Had the acquisition occurred on 1 April 2013, revenue would have increased by R49 million and profit after tax would have increased by R6 million excluding the funding impact of the acquisition. These amounts have been calculated using the group's accounting policies.

Loss on deemed disposal of associate:	Rm
Carrying amount of associate	25
Less: Fair value of deemed disposal of associate	(19)
<b>Loss on deemed disposal of associate</b>	<b>6</b>
Details of net assets acquired and goodwill are as follows:	
Fair value of previously held interest	19
Fair value of Monte Cinemas (Pty) Limited shares acquired (cash)	20
Total purchase consideration	39
Fair value of net assets acquired	(26)
<b>Goodwill</b>	<b>13</b>

	Fair value
Details of net assets acquired:	Rm
<b>Non-current assets</b>	
Property, plant and equipment	16
<b>Current assets</b>	
Inventories	1
Trade and other receivables	4
Cash and cash equivalents	10
<b>Non-current liabilities</b>	
Deferred tax liabilities	(1)
<b>Current liabilities</b>	
Trade and other payables	(4)
<b>Total identifiable net assets acquired</b>	<b>26</b>
Add: Goodwill	13
<b>Total purchase consideration</b>	<b>39</b>
Purchase consideration settled in cash	(20)
Cash balances net of overdrafts acquired	10
<b>Net cash outflow on acquisition</b>	<b>(10)</b>

The fair value of trade and other receivables of R4 million includes trade receivables with a fair value of R0.2 million. The gross contractual amount for trade receivables due is R0.2 million. All trade debtors are expected to be collectible.

The group recognised a fair value loss of R6 million as a result of measuring its previously held interest of 49% in Monte Cinemas (Pty) Limited before the business combination at fair value. The loss is included in other operating expenses in note 13.

# Notes to the consolidated financial statements continued

## 49. Business combinations continued

### 49.3 Acquisition of the Southern Sun Hyde Park hotel business

On 17 May 2013, the group's acquisition of the Southern Sun Hyde Park hotel business, previously a managed property, was concluded.

The fair value of the consideration paid for the property was R132 million cash. R65 million was transferred before the reporting date (transferred on 1 September 2012 and accounted for under receivables) with the balance transferred once the sectional title scheme had been registered, on the effective date of 17 May 2013. Due to the fair value of the net assets acquired equating to the consideration paid, no goodwill arose on this acquisition.

The group consolidated the results of the hotel with effect from 1 September 2012, the date of the payment of R65 million referred to above, in line with the terms of the purchase agreement. With effect from 1 April 2013, revenue increased by R58 million and profit after tax decreased by R1 million excluding the funding impact of the acquisition. These amounts have been calculated using the group's accounting policies.

Details of net assets acquired and goodwill are as follows:	Rm
Purchase consideration (cash)	(132)
Fair value of net assets acquired	132
Goodwill	–
	Fair value
Details of net assets acquired:	Rm
<b>Non-current assets</b>	
Hotel land and buildings	114
Plant and equipment	18
<b>Total identifiable net assets acquired</b>	132
Less: Purchase consideration paid in cash 1 September 2012	(65)
Less: Purchase consideration paid in cash 17 May 2013	(67)
Goodwill	–

## 50. Transactions with non-controlling interests

### 50.1 Share buy-back of additional Durban Add-Ventures Limited and Adventure World Management (Pty) Limited non-controlling interests

As noted in note 40, the group made an offer to acquire the non-controlling interests' share in Durban Add-Ventures Limited ('DAV') and Adventure World Management (Pty) Limited ('AWM') for a total consideration of R400 million. This offer was approved by the KwaZulu-Natal Gaming Board on 10 May 2013 and an initial amount of R363 million was paid for 8.7% of the remaining non-controlling interests' share.

The group acquired the remaining shares and non-controlling interests in DAV and AWM in terms of section 124 of the Companies Act of South Africa for R37 million. Authorisation was granted and notice published on 19 September 2013 and the process completed by November 2013. The group now owns 100% in Tsogo Sun KwaZulu-Natal (Pty) Limited.

### 50.2 Affirmed Investments (Pty) Limited non-controlling interests

The group has, with effect from July 2013, concluded a purchase agreement of an additional 33% interest in a subsidiary, Affirmed Investments (Pty) Limited, for R14 million which gives the group 100% interest in Affirmed Investments (Pty) Limited, and ultimately 100% interest in the Sun 1 group (previously 'Formula 1').



## 51. Events occurring after the balance sheet date

The group has closed a number of acquisitions subsequent to year end as follows:

### Acquisition of businesses by The Cullinan Hotel (Pty) Limited

As announced on the Stock Exchange News Service of the JSE Limited ('SENS') on 3 April 2014 Southern Sun Hotel Interests (Pty) Limited ('SSHI'), a group subsidiary, concluded agreements with Liberty Group Limited ('Liberty') for a 10% increase in the group's equity interest in The Cullinan Hotel (Pty) Limited ('Cullinan') to 60% and the acquisition by Cullinan of various hotel assets from SSHI and Liberty. The effective date of the transaction was 30 April 2014.

The acquired hotels were previously managed by SSHI and the acquisition thereof is in line with management's strategy to own its operations.

The fair value of the consideration paid for the properties is R1 142 million, R634 million cash and the balance representing a shareholder's loan.

No provisional goodwill arose on this acquisition as the purchase consideration represents the provisional fair values of the businesses.

Details of net assets acquired and goodwill are as follows:

	Rm
Total purchase consideration	(1 142)
Provisional fair value of net assets acquired	1 142
Provisional goodwill	–
	<b>Provisional fair value</b>
	<b>Rm</b>
Details of net assets acquired:	
<b>Non-current assets</b>	
Property, plant equipment	1 341
<b>Current assets</b>	
Inventories	11
Trade and other receivables	5
<b>Non-current liabilities</b>	
Deferred tax liabilities	(206)
<b>Current tax liabilities</b>	
Trade and other payables	(9)
<b>Total identifiable net assets acquired</b>	<b>1 142</b>
Add: Provisional goodwill	–
<b>Total purchase consideration</b>	<b>1 142</b>

No provisional goodwill arose on this acquisition as a result of the net assets being acquired at their provisional fair values and no intangible assets were identified.

### Acquisition of fixed assets by Cullinan

As part of the transaction mentioned above, Cullinan has also concluded an agreement for the purchase of the GC Kings Beach building from the Liberty Group Limited. The purchase consideration for the building is R128 million and will be recognised as an asset acquisition once the transfer has been approved.

### Acquisition of an additional equity interest in Cullinan by SSHI

As an additional part of the transaction mentioned above, SSHI will increase its equity interest in Cullinan by 10% to 60% by subscribing for additional shares in Cullinan for R100 million.

### RedefineBDL Hotel Group Limited

The group acquired a 25% interest in RedefineBDL Hotel Group Limited for R145 million, a leading independent hotel management company in the United Kingdom with approximately 60 hotels under management, with effect from 1 May 2014. This acquisition provides the company with access to additional management expertise, exposure to new markets and the potential for opportunities to deploy capital in attractive investments in the European market in the future.

### SunWest International (Pty) Limited and Worcester Casino (Pty) Limited

As announced on SENS on 13 May 2014, the group has entered into a transaction with Sun International Limited and Grand Parade Investments Limited for the acquisition of a 40% equity interest in each of SunWest International (Pty) Limited and Worcester Casino (Pty) Limited for an aggregate R2 185 million. The acquisition is subject to the fulfilment of conditions precedent which includes the approvals of the provincial Gambling and Competition Authorities.

### Southern Sun Abu Dhabi

The group opened the 353-roomed Southern Sun Abu Dhabi under management contract in the United Arab Emirates on 30 April 2014.

Other than as mentioned above, the directors are not aware of any matter or circumstance arising since the balance sheet date and the date of these annual financial statements, not otherwise dealt with within the financial statements, that would affect the operations or results of the group significantly.

# Notes to the consolidated financial statements continued

## 52. Related party transactions

As detailed below, the group has concluded certain transactions with related parties. The company's main shareholders are Tsogo Investment Holding Company (Pty) Limited (41.3%) and SABSA Holdings Limited (39.6%). Tsogo Investment Holding Company (Pty) Limited's ultimate, majority shareholder is HCI (a company listed on the JSE). Transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note.

The following are related parties, and except as otherwise indicated, all related party transactions are based on a market-related basis:

The South African Apartheid Museum is a non-profit company in terms of the Companies Act of South Africa which operates the museum adjacent to the Gold Reef City Theme Park. The South African Apartheid Museum was developed by Akani Egoli (Pty) Limited as one of its casino licence conditions. Akani Egoli Management (Pty) Limited contributes a fixed monthly fee to fund the operational expenses of the museum.

The CASA is a voluntary association of its members to promote the casino industry in SA and the interests of its members as a whole. The CASA advocates the association's policy positions to the national and provincial governments of SA, the Gambling Board, the various provincial licensing authorities, the media and other relevant policy-making and opinion-forming bodies, both in SA and abroad, and interacts with these bodies in respect of issues affecting the casino industry; and to provide factual and reliable publicly available information about the casino industry to all interested parties.

The Olwazini Discovery Centre is a company which operates the science museum adjacent to the Golden Horse casino. The Olwazini Discovery Centre was developed by Akani Msunduzi (Pty) Limited as one of its casino licence conditions. Akani Msunduzi Management (Pty) Limited contributes a fixed monthly fee to fund the operational expenses of the museum.

Abreal Property Management (Pty) Limited ('Abreal') is a property management and administration services company, owned by Abland (Pty) Limited ('Abland'). The management and administrative services provided to the group include the sourcing of tenants, drafting of leases, billing and rent collection, maintenance and management reporting. The group has entered into a consortium of co-ownerships with Abland to acquire land whereby Abreal has been appointed as the property manager of these investments. The Corob Trust, Abbeydale Investment Holdings (Pty) Limited and Sable Holdings Limited are entities within the consortium.

	2014 Rm	2013 Rm
<b>52.1 Transactions with related parties</b>		
<i>Management fees received/(paid):</i>		
Associates	1	2
Joint ventures	6	5
Abreal (Pty) Limited	(1)	–
<i>Purchases from shareholder's group company:</i>		
The South African Breweries (Pty) Limited	35	29
<i>Other:</i>		
South African Apartheid Museum	6	5
CASA	2	3
Olwazini Discovery Centre	1	1
	<b>50</b>	<b>45</b>
	<b>2014</b>	<b>2013</b>
	<b>Rm</b>	<b>Rm</b>
<b>52.2 Amounts owing by related parties</b>		
<i>Amounts owing by related parties:</i>		
Associates (refer note 22)	8	8
<i>Non-current receivables (refer note 24):</i>		
Loan to The Corob Trust	17	–
<i>Included within current receivables (refer note 28):</i>		
Loan to Sable Holdings Limited	1	–
Loan to Abbeydale Investment Holdings (Pty) Limited	1	–
	<b>27</b>	<b>8</b>

## 52. Related party transactions continued

	2014 Rm	2013 Rm
<b>52.3 Trade payables to related party</b>		
The South African Breweries (Pty) Limited	2	1

## 52.4 Key management compensation

Directors and prescribed officers of the company are considered to be the group's key management personnel. Remuneration and fees paid to key management during the year by the group are as follows:

	2014 Rm	2013 Rm
<b>Executive directors</b>		
Basic remuneration and cash incentives	7	7
Retirement, medical and catastrophe benefits	2	1
Other incentives and benefits	7	7
Long-term incentives paid	3	7
Total paid by subsidiaries	19	22
<b>Non-executive directors</b>		
Fees for services	3	3
Other benefits	9	8
Long-term incentives paid	13	–
Total paid by subsidiaries	25	11
<b>Total directors' emoluments</b>		
Paid by subsidiaries	44	33
<b>Other key management and prescribed officers</b>		
Basic remuneration and cash incentives	10	12
Retirement, medical and catastrophe benefits	1	2
Other incentives and benefits	10	10
Termination benefits	39	–
Long-term incentives paid	37	–
Total emoluments paid by subsidiaries	97	24

There are no loans to directors, key management or their families of the group.

A listing of all members of the board of directors is shown on page 5 of the annual financial statements.

Refer note 21.3 of the company annual financial statements for the statutory and regulatory disclosure relating to executive directors and prescribed officers.

## 52.5 Contingencies, commitments and guarantees

There are no contingencies, commitments or guarantees of the group's related parties, other than as mentioned in note 48 to these group annual financial statements.

# Notes to the consolidated financial statements continued

## 53. Principal subsidiaries

The total non-controlling interests' share of profit for the year is R96 million (2013: R125 million) allocated as follows:

	2014 Rm	2013 Rm
Ikoyi Hotels Limited	9	6
The Cullinan Hotel (Pty) Limited	25	19
Tsogo Sun Emonti (Pty) Limited	17	23
Other non-material non-controlling interests	45	77
	<b>96</b>	<b>125</b>

Summarised financial information, before intergroup eliminations, for subsidiaries having material non-controlling interests is as follows:

Summarised balance sheets as at 31 March	Ikoyi Hotels Limited <sup>(1)</sup>	The Cullinan Hotel (Pty) Limited	2013 Rm	Tsogo Sun Emonti (Pty) Limited	2013 Rm
	2014 Rm	2014 Rm		2014 Rm	
Non-current assets	591	205	210	460	480
Current assets	50	166	109	24	30
Total assets	641	371	319	484	510
Non-current liabilities	186	28	27	198	7
Current liabilities	27	34	32	29	292
Total liabilities	213	62	59	227	299
Net assets	428	309	260	257	211
<b>Summarised income statements for the year ended 31 March</b>	<b>2014 Rm</b>	<b>2014 Rm</b>	<b>2013 Rm</b>	<b>2014 Rm</b>	<b>2013 Rm</b>
Revenue	140	220	187	336	303
Profit before income tax	37	68	54	70	90
Income tax expense	(3)	(19)	(16)	(22)	(26)
Profit and total comprehensive income	34	49	38	48	64
Total comprehensive income allocated to non-controlling interests	9	25	19	17	23
Dividends paid to non-controlling interests	–	–	15	–	3
<b>Summarised cash flows for the year ended 31 March</b>	<b>2014 Rm</b>	<b>2014 Rm</b>	<b>2013 Rm</b>	<b>2014 Rm</b>	<b>2013 Rm</b>
Cash generated from operations	26	67	64	129	107
Interest received	–	7	5	2	3
Finance costs paid	(1)	–	–	(15)	(7)
Income tax paid	–	(19)	(12)	(12)	(28)
Dividends paid	–	–	(30)	–	(3)
Net cash generated from operations	25	55	27	104	72
Net cash utilised for investment activities	(3)	(58)	(28)	(50)	(230)
Net cash (utilised in)/generated from financing activities	(19)	4	1	(53)	153
Net increase/(decrease) in cash and cash equivalents	3	1	–	1	(5)
Cash and cash equivalents at beginning of the year	8	5	5	12	17
Foreign currency translation	1	–	–	–	–
<b>Cash and cash equivalents at end of the year</b>	<b>12</b>	<b>6</b>	<b>5</b>	<b>13</b>	<b>12</b>

<sup>(1)</sup> Ikoyi Hotels Limited was acquired with effect from 29 June 2013 and hence the information is from date of acquisition – refer note 49.1

## T SOGO SUN HOLDINGS LIMITED

Annual financial statements  
for the year ended 31 March 2014

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# Company income statement

for the year ended on 31 March

	Notes	2014 R'000	2013 R'000
<b>Other income</b>	2	890 171	720 607
Other operating expenses	3	(4 787)	(6 404)
<b>Operating profit</b>		<b>885 384</b>	714 203
Interest income	4	5 787	5 631
<b>Profit before income tax</b>		<b>891 171</b>	719 834
Income tax expense	5	(6 301)	(9 940)
<b>Profit for the year</b>		<b>884 870</b>	709 894

No statement of comprehensive income is presented as the company has no other comprehensive income.

The notes on page 70 to page 79 form an integral part of these company financial statements.

The company's accounting policies are included with the group's accounting policies on page 11 to page 23.

# Company balance sheet

as at 31 March

	Notes	2014 R'000	2013 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	1 850	3 658
Investment in subsidiaries	7	18 516 416	18 516 416
Investment in associate	8	–	–
Investment in joint venture	9	–	–
Non-current receivables	10	–	–
Share scheme	11	32 477	37 031
		<b>18 550 743</b>	18 557 105
<b>Current assets</b>			
Trade and other receivables	12	899	50
Amounts due by subsidiaries	13	37 045	25 701
Cash and cash equivalents	14	1 371	312
		<b>39 315</b>	26 063
<b>Total assets</b>		<b>18 590 058</b>	18 583 168
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Ordinary share capital and premium	15	17 557 721	17 557 721
Share-based payment reserve		399 434	399 434
Retained earnings		459 507	453 070
<b>Total shareholders' equity</b>		<b>18 416 662</b>	18 410 225
<b>Current liabilities</b>			
Trade and other payables	16	15 663	14 692
Current income tax liability		2 243	2 902
Amounts due to subsidiaries	13	155 490	155 349
		<b>173 396</b>	172 943
<b>Total equity and liabilities</b>		<b>18 590 058</b>	18 583 168

The notes on page 70 to page 79 form an integral part of these company financial statements.

The company's accounting policies are included with the group's accounting policies on page 11 to page 23.

# Company statement of changes in equity

for the year ended

	Share capital and premium R'000	Share- based payment reserve R'000	Retained earnings R'000	Total equity R'000
<b>Balance at 31 March 2012</b>	17 557 721	399 302	445 479	18 402 502
Profit for the year	–	–	709 894	709 894
Recognition of share-based payments	–	132	–	132
Ordinary dividends	–	–	(702 303)	(702 303)
<b>Balance at 31 March 2013</b>	17 557 721	399 434	453 070	18 410 225
Profit for the year	–	–	<b>884 870</b>	<b>884 870</b>
Ordinary dividends	–	–	<b>(878 433)</b>	<b>(878 433)</b>
<b>Balance at 31 March 2014</b>	<b>17 557 721</b>	<b>399 434</b>	<b>459 507</b>	<b>18 416 662</b>

The notes on page 70 to page 79 form an integral part of these company financial statements.

The company's accounting policies are included with the group's accounting policies on page 11 to page 23.

# Company cash flow statement

for the year ended 31 March

	Notes	2014 R'000	2013 R'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	17	<b>879 328</b>	709 375
Interest received		<b>1 287</b>	5 631
Income tax paid	18	<b>(6 960)</b>	(7 042)
Dividends paid	19	<b>(878 370)</b>	(702 177)
Net cash (utilised in)/generated from operations		<b>(4 715)</b>	5 787
<b>Cash flows from investment activities</b>			
Loans repaid by/(advanced to) associate		<b>1 643</b>	(1 876)
Loans advanced to joint venture		<b>(564)</b>	(3 499)
Net cash generated by/(utilised for) investment activities		<b>1 079</b>	(5 375)
<b>Cash flows generated from financing activities</b>			
Decrease in share scheme loan		<b>4 554</b>	4 299
Increase/(decrease) in amounts due to subsidiaries		<b>141</b>	(4 908)
Net cash generated from/(utilised in) financing activities		<b>4 695</b>	(609)
Net increase/(decrease) in cash and cash equivalents		<b>1 059</b>	(197)
Cash and cash equivalents at beginning of the year		<b>312</b>	509
<b>Cash and cash equivalents at end of the year</b>	14	<b>1 371</b>	312

The notes on page 70 to page 79 form an integral part of these company financial statements.

The company's accounting policies are included with the group's accounting policies on page 11 to page 23.

# Notes to the company financial statements

## 1. Financial risk management

### 1.1 Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the board of directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

Credit risk is managed at an entity level for trade receivables.

#### a) Market risk

##### (i) Currency risk

*The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates*

The only foreign exchange risk relates to the foreign denominated guarantee which has been fully provided for and therefore the company is not exposed to significant foreign exchange risk.

##### (ii) Interest rate risk

*The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates*

The company has no external interest related borrowings and is therefore not exposed to interest rate risk.

##### (iii) Other price risk

*The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market*

The company does not invest in listed securities and holds no available-for-sale investments and therefore does not have any equity price risk. The company is also not exposed to commodity price risk.

#### b) Credit risk

*The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation*

The company has no concentrations of credit risk and is therefore not exposed to credit risk. The loan to the share scheme (refer note 11) and amounts due by subsidiaries (refer note 13) are not impaired or overdue. The loan to the company's associate has been fully impaired.

#### c) Liquidity risk

*The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the company's liquidity headroom on the basis of expected cash flow and the resultant borrowing position compared to available credit facilities. This process is performed during each financial year end for five years into the future in terms of the company's long-term planning process.

The company has provided security for certain of its associate, subsidiary companies and other related parties (refer notes 8, 10, 12 and 20).

The table below analyses the company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Less than 1 year R'000</b>
<b>Inclusive of capital and interest:</b>	
<b>At 31 March 2014</b>	
Trade and other payables	905
Financial guarantee contracts	770 160
	771 065
<b>At 31 March 2013</b>	
Trade and other payables	842
Financial guarantee contracts	18 000
	18 842

Other than as described above, the company does not expect any cash outflows on financial liabilities to occur significantly earlier, or for significantly different amounts. Refer notes 13 and 16 for details of the company's liabilities. All financial liabilities are current and may be settled in the next 12 months.



## 1. Financial risk management continued

### 1.2 Financial instruments by category

The table below shows the company's accounting categorisation of financial assets and financial liabilities (based on initial recognition) to the classes of assets and liabilities as shown on the face of the balance sheet:

	Loans and receivables R'000	Other financial liabilities at amortised cost R'000	Total R'000
<b>At 31 March 2014</b>			
Financial assets			
Trade and other receivables	899	–	899
Amounts due by subsidiaries	37 045	–	37 045
Cash and cash equivalents	1 371	–	1 371
	<b>39 315</b>	<b>–</b>	<b>39 315</b>
Financial liabilities			
Trade and other payables	–	15 439	15 439
Amounts due to subsidiaries	–	155 490	155 490
	<b>–</b>	<b>170 929</b>	<b>170 929</b>
<b>At 31 March 2013</b>			
Financial assets			
Trade and other receivables	50	–	50
Amounts due by subsidiaries	25 701	–	25 701
Cash and cash equivalents	312	–	312
	<b>26 063</b>	<b>–</b>	<b>26 063</b>
Financial liabilities			
Trade and other payables	–	14 446	14 446
Amounts due to subsidiaries	–	155 349	155 349
	<b>–</b>	<b>169 795</b>	<b>169 795</b>

### 1.3 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern and provide optimal returns for shareholders through maintaining an optimal capital structure.

The company defines capital as equity funding provided by shareholders.

Shareholder funding comprises permanent paid-up capital, share premium, revenue reserves and other reserves and loans from shareholders (if any).

In order to maintain or adjust the capital structure, in the absence of significant investment opportunities, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

### 1.4 Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The company has no financial assets or liabilities measured at fair value.

## Notes to the company financial statements continued

<b>2. Other income</b>			<b>2014</b>	2013
			<b>R'000</b>	<b>R'000</b>
Dividends received			<b>872 510</b>	702 303
Royalty fees			<b>17 661</b>	18 304
			<b>890 171</b>	720 607
<b>3. Other operating expenses</b>			<b>2014</b>	2013
			<b>R'000</b>	<b>R'000</b>
Other operating expenses comprise the following:				
Auditors' remuneration			–	23
Audit fees: current year			–	–
Other services and expenses			–	23
Other operating expenses			<b>35</b>	114
Administration fees received from subsidiary companies			<b>(1 407)</b>	(1 194)
Impairment of loan to associate			<b>2 857</b>	1 876
Impairment of financial instruments			<b>564</b>	–
Impairment of property			<b>1 808</b>	–
Impairment of loan to joint venture			–	3 499
Net foreign exchange loss on financial guarantee			<b>930</b>	2 086
			<b>4 787</b>	6 404
<b>4. Interest income</b>			<b>2014</b>	2013
			<b>R'000</b>	<b>R'000</b>
Interest income from subsidiaries			<b>1 256</b>	1 050
Interest income from associate			<b>4 500</b>	4 247
Interest received from banks			<b>31</b>	334
			<b>5 787</b>	5 631
<b>5. Income tax expense</b>			<b>2014</b>	2013
			<b>R'000</b>	<b>R'000</b>
Current tax – current year charge			<b>6 689</b>	6 883
Current tax – prior year (credit)/charge			<b>(388)</b>	3 057
			<b>6 301</b>	9 940
			<b>2014</b>	2013
			<b>R'000</b>	<b>R'000</b>
			<b>%</b>	<b>%</b>
<b>Income tax rate reconciliation</b>				
Profit before tax	<b>891 171</b>		719 834	
Tax thereon at 28% (2013: 28%)	<b>249 528</b>	<b>28.0</b>	201 554	28.0
Exempt income	<b>(244 303)</b>	<b>(27.4)</b>	(196 645)	(27.3)
Disallowed expenditure	<b>1 464</b>	<b>0.2</b>	1 974	0.3
Prior year charge	<b>(388)</b>	<b>(0.1)</b>	3 057	0.4
	<b>6 301</b>	<b>0.7</b>	9 940	1.4
<b>6. Property, plant and equipment</b>			<b>2014</b>	2013
			<b>R'000</b>	<b>R'000</b>
Land				
Cost at 1 April			<b>3 658</b>	3 658
Impairment			<b>(1 808)</b>	–
Net book amount at 31 March			<b>1 850</b>	3 658
Land, which comprises a vacant stand, Erf 18029, Mossel Bay, in the Western Cape province, was impaired to its net realisable value.				
<b>7. Investment in subsidiaries</b>			<b>2014</b>	2013
			<b>R'000</b>	<b>R'000</b>
Shares at cost				
Cost of investment in ordinary shares (refer note 22)			<b>18 413 592</b>	18 413 592
Amount due by Aldiss Investments (Pty) Limited			<b>43 648</b>	43 648
Share-based payments to subsidiary employees (refer note 11)			<b>59 176</b>	59 176
			<b>18 516 416</b>	18 516 416
The loan due by Aldiss Investments (Pty) Limited has no fixed terms of repayment, is interest-free and is considered to be part of the investment in the subsidiary.				

**8. Investment in associate**

	2014 R'000	2013 R'000
<b>Unlisted</b>		
<b>Capital</b>		
Lukhanji Leisure (Pty) Limited	67	67
Impairment of investment in associate	(67)	(67)
	-	-
<b>Loans</b>		
Lukhanji Leisure (Pty) Limited	-	45 291
Impairment of loan to associate	-	(45 291)
	-	-
<b>Total investment</b>	-	-

The company has the following interest in its associate:

25.1% in Lukhanji Leisure (Pty) Limited. The investment has been fully impaired due to the associate's continuing trading losses and it is not considered to be immediately recoverable. The loan to Lukhanji Leisure (Pty) Limited has been reclassified to non-current receivables as it is no longer considered an equity loan. The loan has been provided for in full – refer note 10. The company has provided security for all Lukhanji Leisure (Pty) Limited's borrowing obligations in favour of Investec Limited to a capital amount of R12 million (2013: R18 million, plus interest and costs) – refer note 20.

**9. Investment in joint venture**

	2014 R'000	2013 R'000
<b>Unlisted</b>		
At 1 April	-	-
Loan to joint venture	-	4 180
Impairment of investment in joint venture	-	(3 499)
Loan repayments	-	(681)
At 31 March	-	-
<b>Capital</b>		
Indol (Pty) Limited	-	2 047
Impairment in investment in joint venture	-	(2 047)
	-	-
<b>Loans</b>		
Indol (Pty) Limited	-	16 064
Impairment of loan to joint venture	-	(16 064)
	-	-
<b>Total investment</b>	-	-

The company's 50% interest in Indol (Pty) Limited was sold with effect from 24 April 2013 for Botswana Pula 1. The impaired loan of R17 million (2013: R16 million) remains payable following suspensive conditions in the sale agreement and has been reclassified to trade and other receivables – refer note 12.

**10. Non-current receivables**

	2014 R'000	2013 R'000
At amortised cost		
<i>Financial instruments</i>		
Lukhanji Leisure (Pty) Limited	48 147	-
Less: Provision for impairment	(48 147)	-
	-	-

The loan to Lukhanji Leisure (Pty) Limited, an associate, bears interest at prime plus 1%. The group has subordinated this loan for the benefit of other creditors, limited to an amount of R34 million (2013: R33 million). The loan to Lukhanji Leisure (Pty) Limited has been reclassified to non-current receivables as it is no longer considered an equity loan. The loan has been provided for in full – refer note 8. The group has provided security for all Lukhanji Leisure (Pty) Limited's borrowing obligations in favour of Investec Limited to a capital amount of R12 million (2013: R18 million, plus interest and costs) – refer note 20.

# Notes to the company financial statements continued

## 11. Share-based payments – Gold Reef Share Scheme

	2014 R'000	2013 R'000
Loan to share scheme	32 477	37 031

The company operates an equity-settled, share-based compensation plan established in September 1999. Options over the company's shares are granted to permanent employees at the discretion of the directors in terms of which shares in the company may be acquired based on prices prevailing at the dates of granting the options. Delivery of the shares so acquired is effected in three equal tranches vesting over four years; one-third after two years, one-third after three years and one-third after four years. Shares acquired through the share scheme have to be paid for by the employees at the subscription prices as determined in the option contracts. Upon vesting and exercise of the options the subscription value is credited to share capital (nominal value) and share premium and debited to a non-current asset. The non-current asset is considered payable when the employees exercise the options and the options have vested. Any dividends paid on these shares are utilised to reduce the balance owing by the employees.

A complete accounting policy for the scheme is included in note 1z(vi) to the consolidated financial statements.

## 12. Trade and other receivables

	2014 R'000	2013 R'000
Other debtors	899	50
Loan to Indol (Pty) Limited (previously a joint venture – refer note 9)	–	–
Loan	16 628	–
Impairment of loan	(16 628)	–
	899	50

The company's 50% interest in Indol (Pty) Limited, previously a joint venture, was sold with effect from 24 April 2013 for Botswana Pula 1. The loan of R17 million (2013: R16 million) remains payable following suspensive conditions in the sale agreement and has been reclassified from investments in joint ventures – refer note 9. The loan remains impaired.

The net carrying values of trade and other receivables were considered a close approximation of their fair values.

The maximum exposure to credit risk at the reporting date is the carrying value of the receivable as shown above. The company does not hold any collateral as security.

## 13. Amounts due by/to subsidiaries

	2014 R'000	2013 R'000
Amounts due by subsidiaries:		
<i>Current accounts</i>		
Akani Egoli (Pty) Limited	12	4
Akani Msunduzi (Pty) Limited	12	11
Garden Route Casino (Pty) Limited	68	32
Goldfields Casino (Pty) Limited	17	15
Gold Reef Management (Pty) Limited	1 688	1 909
Mogale Silverstar Holdings (Pty) Limited	18	18
Richard Moloko Consortium Holdings (Pty) Limited	39	39
Silverstar Casino (Pty) Limited	–	21
Tsogo Sun KwaZulu-Natal (Pty) Limited	51	–
Tsogo Sun (Pty) Limited	35 125	23 637
West Coast Leisure (Pty) Limited	15	15
	37 045	25 701
Amounts due to subsidiaries:		
<i>Current accounts</i>		
Newshelf 786 (Pty) Limited	68 540	68 540
Richard Moloko Consortium (Pty) Limited	86 615	86 615
Silverstar Casino (Pty) Limited	79	–
Tsogo Sun Casinos (Pty) Limited	256	194
	155 490	155 349

The loans shown above, with the exception of the loan to Tsogo Sun (Pty) Limited, are unsecured, interest-free and are repayable on demand. The amount due by Tsogo Sun (Pty) Limited is an unsecured treasury loan, bearing interest at market rates and is also repayable on demand.

<b>14. Cash and cash equivalents</b>	<b>2014</b>	2013
	<b>R'000</b>	R'000
Current accounts	<b>1 361</b>	302
Call accounts	<b>10</b>	10
	<b>1 371</b>	312

The above cash and cash equivalents bear interest at market-related rates.

<b>15. Ordinary share capital and premium</b>	<b>Number of ordinary shares</b>	<b>Ordinary share capital R'000</b>	<b>Share premium R'000</b>	<b>Total R'000</b>
<b>At 31 March 2013 and 2014</b>	<b>1 182 765 988</b>	<b>23 655</b>	<b>17 534 066</b>	<b>17 557 721</b>

The total authorised number of ordinary shares is 1 200 000 000 (2013: 1 200 000 000) with a par value of 2 cents per share (2013: 2 cents per share). All issued shares, other than those related to the Gold Reef Share Scheme, are fully paid up.

<b>16. Trade and other payables</b>	<b>2014</b>	2013
	<b>R'000</b>	R'000
<i>Financial instruments</i>		
Unclaimed dividends owing to shareholders	<b>905</b>	842
Liability relating to financial guarantee provided for in full	<b>14 534</b>	13 604
	<b>15 439</b>	14 446
<i>Non-financial instruments</i>		
VAT payable	<b>224</b>	246
	<b>15 663</b>	14 692

All of the above trade and other payables are current with the exception of the liability relating to the financial guarantee, the timing of which is uncertain.

<b>17. Cash generated from operations</b>	<b>2014</b>	2013
	<b>R'000</b>	R'000
<b>Operating profit</b>	<b>885 384</b>	714 203
<i>Adjusted for non-cash movements:</i>		
Foreign exchange loss	<b>930</b>	2 086
Impairment of loan to associate	<b>2 857</b>	1 876
Impairment of financial instruments	<b>564</b>	–
Impairment of loan to joint venture	<b>–</b>	3 499
Impairment of property	<b>1 808</b>	–
Cash generated from operations before working capital movements	<b>891 543</b>	721 664
<b>Working capital movements</b>		
Increase in trade and other receivables	<b>(849)</b>	(9)
Increase in amounts due by subsidiaries	<b>(11 344)</b>	(12 321)
(Decrease)/increase in trade and other payables	<b>(22)</b>	41
Cash generated from operations	<b>879 328</b>	709 375

<b>18. Income tax paid</b>	<b>2014</b>	2013
	<b>R'000</b>	R'000
Tax liability at 1 April	<b>(2 902)</b>	(4)
Current tax provided	<b>(6 301)</b>	(9 940)
Tax liability at 31 March	<b>2 243</b>	2 902
	<b>(6 960)</b>	(7 042)

# Notes to the company financial statements continued

## 19. Dividends paid to the company's shareholders

	2014 R'000	2013 R'000
Unclaimed dividends owing to shareholders at 1 April	(842)	(716)
Ordinary dividends declared	(878 433)	(702 303)
Unclaimed dividends owing to shareholders at 31 March	905	842
	<b>(878 370)</b>	<b>(702 177)</b>

## 20. Contingencies and guarantees

The company has provided the following securities:

Lukhanji Leisure (Pty) Limited's (an associate) borrowing obligations in favour of Investec Limited to a capital amount of R12 million (2013: R18 million plus interest and costs) – refer note 8;

Indol (Pty) Limited's (a previously held joint venture, a company incorporated in Botswana) banking facilities in favour of Bank of Gaborone for a capital amount to the maximum of Botswana Pula 12.1 million – refer note 9 and note 12. This amount has been raised and included in trade and other payables;

Ikoyi Hotels Limited's (a subsidiary company incorporated in Nigeria) borrowing obligations in favour of Absa to a capital amount not exceeding US\$20 million (2013: US\$nil);

Southern Sun (Mozambique) Limited's (a subsidiary company incorporated in Mozambique) borrowing obligations in favour of Absa to a capital amount not exceeding US\$18 million (2013: US\$nil); and

Southern Sun Africa's (a subsidiary company incorporated in Mauritius) borrowing obligations in favour of Absa to a capital amount not exceeding US\$34 million (2013: US\$nil).

## 21. Related party transactions

As detailed below the company has concluded certain transactions with related parties. Details of the group's associates, joint ventures and subsidiaries are shown in notes 8, 9 and 22.

Except as otherwise indicated all related party transactions are based on a market-related basis.

	2014 R'000	2013 R'000
<b>21.1 Purchases/sales of services</b>		
<i>Royalty fees received from subsidiaries:</i>		
Akani Egoli (Pty) Limited	11 216	–
Akani Msunduzi (Pty) Limited	2 934	–
Garden Route Casino (Pty) Limited	1 704	–
Gold Reef Management (Pty) Limited	–	18 304
West Coast Leisure (Pty) Limited	1 327	–
<i>Royalty fees received from associate:</i>		
Lukhanji Leisure (Pty) Limited	480	–
	<b>17 661</b>	<b>18 304</b>
<i>Administration fees received from subsidiaries:</i>		
Akani Egoli (Pty) Limited	39	49
Akani Msunduzi (Pty) Limited	116	97
Garden Route Casino (Pty) Limited	334	347
Goldfields Casino (Pty) Limited	106	100
Gold Reef Management (Pty) Limited	–	330
Silverstar Casino (Pty) Limited	102	56
Tsogo Sun (Pty) Limited	42	–
Tsogo Sun Casinos (Pty) Limited	214	–
Tsogo Sun KwaZulu-Natal (Pty) Limited	240	–
West Coast Leisure (Pty) Limited	148	158
<i>Administration fees received from associate:</i>		
Lukhanji Leisure (Pty) Limited	66	57
	<b>1 407</b>	<b>1 194</b>
Total fees from related parties	<b>19 068</b>	<b>19 498</b>

## 21. Related party transactions continued

	2014 R'000	2013 R'000
<b>21.2 Amounts due by/(to) related parties</b>		
<i>Amounts due by subsidiaries:</i>		
Refer note 13	37 045	25 701
<i>Amounts due to subsidiaries:</i>		
Refer note 13	(155 490)	(155 349)
<i>Amounts due by other related parties:</i>		
Associates and joint ventures (refer notes 8, 9, 10 and 12)	–	–

There were no loans to company directors, key management or their families.

### 21.3 Key management compensation

Directors and prescribed officers of the company are considered to be key management (including the three highest paid members of management). Remuneration and fees paid to key management during the year are as follows:

	Year ended 31 March 2014				
	Basic remuneration R'000	Benefits R'000	Short-term incentives R'000	Long-term incentives R'000	Total R'000
<b>Executive directors</b>					
<i>Remuneration paid by subsidiaries:</i>					
MN von Aulock	4 798	1 033	5 313	3 048	14 192
RB Huddy	2 500	574	2 175	329	5 578
Total remuneration	7 298	1 607	7 488	3 377	19 770

	Year ended 31 March 2013				
	Basic remuneration R'000	Benefits R'000	Short-term incentives R'000	Long-term incentives R'000	Total R'000
<b>Executive directors</b>					
<i>Remuneration paid by subsidiaries:</i>					
MN von Aulock	4 509	967	5 550	2 591	13 617
RB Huddy	2 250	517	1 946	4 024	8 737
Total remuneration	6 759	1 484	7 496	6 615	22 354

	Year ended 31 March 2014			Year ended 31 March 2013		
	Directors' fees R'000	Other benefits R'000	Total R'000	Directors' fees R'000	Other benefits R'000	Total R'000
<b>Non-executive directors</b>						
<i>Fees and services paid by subsidiaries:</i>						
JA Copelyn	762	–	762	712	–	712
JA Mabuza	–	21 526	21 526	–	8 500	8 500
MJA Golding	219	–	219	204	–	204
JM Khan <sup>(1)</sup>	–	–	–	204	–	204
EAG Mackay <sup>(2)</sup>	275	–	275	255	–	255
VE Mphande	219	–	219	204	–	204
A van der Veen <sup>(3)</sup>	–	–	–	204	–	204
JS Wilson <sup>(4)</sup>	111	–	111	–	–	–
MI Wyman	219	–	219	204	–	204
RG Tomlinson	438	–	438	407	–	407
JG Ngcobo	275	–	275	255	–	255
Y Shaik	331	–	331	306	–	306
	2 849	21 526	24 375	2 955	8 500	11 455

<sup>(1)</sup> Resigned 31 March 2013

<sup>(2)</sup> Deceased 18 December 2013

<sup>(3)</sup> Resigned 8 November 2012

<sup>(4)</sup> Appointed 2 April 2013

# Notes to the company financial statements continued

## 21. Related party transactions continued

### 21.3 Key management compensation continued

Other key management and prescribed officers	Year ended 31 March 2014					Total R'000
	Basic remuneration R'000	Benefits R'000	Performance incentives R'000	Long-term incentives R'000	Termination benefits R'000	
<i>Remuneration paid by subsidiaries:</i>						
J Booyesen	3 092	526	2 706	347	–	6 671
RA Collins <sup>(1)</sup>	1 381	247	2 841	21 716	22 315	48 500
RF Weilers	4 241	456	2 411	3 422	–	10 530
GI Wood <sup>(1)</sup>	1 180	190	2 148	11 861	16 363	31 742
	<b>9 894</b>	<b>1 419</b>	<b>10 106</b>	<b>37 346</b>	<b>38 678</b>	<b>97 443</b>

<sup>(1)</sup> Resigned 31 August 2013

Other key management and prescribed officers	Year ended 31 March 2013				Total R'000
	Basic remuneration R'000	Benefits R'000	Performance incentives R'000	Long-term incentives R'000	
<i>Remuneration paid by subsidiaries:</i>					
J Booyesen	2 842	470	2 598	–	5 910
RA Collins	3 137	534	2 890	–	6 561
RF Weilers	3 477	886	2 008	–	6 371
GI Wood	2 666	421	1 882	–	4 969
	<b>12 122</b>	<b>2 311</b>	<b>9 378</b>	<b>–</b>	<b>23 811</b>



## 22. Subsidiary companies

The following information relates to the company's financial interest in its principal subsidiaries:

Subsidiary	Issued share capital		Effective holding		Shares at cost	
	2014 R	2013 R	2014 %	2013 %	2014 R'000	2013 R'000
<i>Direct shareholding:</i>						
Akani Egoli (Pty) Limited	1 000	1 000	100	100	984 992	984 992
Akani Egoli Management (Pty) Limited	1 000	1 000	100	100	1	1
Akani Msunduzi (Pty) Limited	100	100	100	100	135 948	135 948
Akani Msunduzi Management (Pty) Limited	1 000	1 000	100	100	1	1
Aldiss Investments (Pty) Limited	1	1	100	100	*	*
Gold Reef Management (Pty) Limited	100	100	100	100	98 376	98 376
Garden Route Casino (Pty) Limited	1 000	1 000	85	85	168 837	168 837
Goldfields Casino and Entertainment Centre (Pty) Limited	1 000	1 000	100	100	165 084	165 084
Gold Reef Resorts Training Institute (Pty) Limited	2	2	100	100	*	*
Richard Moloko Consortium Holdings (Pty) Limited	1 002	1 002	100	100	173 545	173 545
Silverstar Casino (Pty) Limited	1 000	1 000	100	100	972 933	972 933
West Coast Leisure (Pty) Limited	1 000	1 000	70	70	62 715	62 715
Tsogo Sun Hotels, Gaming and Entertainment (Pty) Limited	25 000	25 000	100	100	15 651 160	15 651 160
<i>Indirect shareholding:</i>						
Durban Add-Ventures Limited	3 156 723	3 156 723	100	75	–	–
Sun 1 Hotel (Pty) Limited (previously Hotel Formula 1 (Pty) Limited)	4 000	4 000	100	100	–	–
Ikoyi Hotels Limited	3 116 968	–	76	–	–	–
Tsogo Sun Casino Management Company (Pty) Limited (previously Monyaka Gaming Machine Supply (Pty) Limited)	2 000	2 000	100	100	–	–
Ripple Effect 31 (Pty) Limited	1 000	1 000	100	100	–	–
Southern Sun Africa	92 850	92 850	100	100	–	–
Southern Sun Hotels (Pty) Limited	100	100	100	100	–	–
Southern Sun Hotel Interests (Pty) Limited	2 145 000	2 145 000	100	100	–	–
Southern Sun Middle East Investment Holdings (Pty) Limited	100	100	100	100	–	–
Southern Sun (Mozambique) Limitada	18 181 559	18 181 559	100	100	–	–
Southern Sun Offshore (Pty) Limited	100	100	100	100	–	–
Southern Sun Secretarial Services (Pty) Limited	2	2	100	100	–	–
The Cullinan Hotel (Pty) Limited	4 000	4 000	50	50	–	–
The Millennium Casino Limited	200	200	100	100	–	–
Tsogo Sun (Pty) Limited	120	120	100	100	–	–
Tsogo Sun Casinos (Pty) Limited	2 402	2 402	100	100	–	–
Tsogo Sun Emonti (Pty) Limited	1 230	1 230	65	65	–	–
Tsogo Sun Gaming (Pty) Limited	100	100	100	100	–	–
Tsogo Sun KwaZulu-Natal (Pty) Limited	1 000	1 000	100	90	–	–
					<b>18 413 592</b>	<b>18 413 592</b>

The group comprises a large number of companies. The list above only includes those subsidiary undertakings which materially affect the profit or net assets of the group, or a business segment, together with the principal intermediate holding companies of the group. In addition to the above mentioned subsidiaries, the company has interests in other indirectly held subsidiaries. A register detailing such information in respect of all subsidiaries of the company is available for inspection at the registered office of the company, which may be inspected by members or their duly authorised agents.

All of the above subsidiaries are unlisted, and with the exception of Ikoyi Hotels Limited which is incorporated in Nigeria, Southern Sun (Mozambique) Limitada which is incorporated in Mozambique and Southern Sun Africa which is incorporated in Mauritius, are incorporated in South Africa.

\*Amounts less than R1 000

# Analysis of shareholdings

	Number of shareholders	%	Number of shares	%
<b>Portfolio size</b>				
Range				
1 – 1 000	929	37.81	400 272	0.03
1 001 – 5 000	707	28.77	1 848 742	0.16
5 001 – 10 000	193	7.86	1 426 451	0.12
10 001 – 50 000	273	11.11	6 767 421	0.57
50 001 – 100 000	112	4.56	8 193 849	0.69
100 001 – and more	243	9.89	1 164 129 253	98.43
	2 457	100.00	1 182 765 988	100.00
<b>Public</b>				
	2 449	99.68	209 689 698	17.73
<b>Individuals</b>				
Banks and insurance companies	69	2.81	20 411 567	1.73
Pension funds and medical aid societies	141	5.74	25 542 261	2.16
Collective investment schemes and mutual funds	184	7.49	73 359 710	6.20
Other corporate bodies	401	16.32	34 709 442	2.93
<b>Non-public</b>				
	8	0.32	973 076 290	82.27
<b>Directors<sup>(1)</sup></b>				
	2	0.08	207 775	0.02
<b>Subsidiary companies*</b>				
	3	0.12	83 632 695	7.07
<b>Gold Reef Share Scheme*</b>				
	1	0.04	974 792	0.08
<b>10% of issued capital or more</b>				
	2	0.08	888 261 028	75.10
	2 457	100.00	1 182 765 988	100.00
<b>Major shareholders owning 1% or more</b>				
Tsogo Investment Holding Company (Pty) Limited			453 013 124	38.30
SABSA Holdings Limited			435 247 904	36.80
Tsogo Sun Gaming (Pty) Limited*			42 876 046	3.63
Tsogo Sun Expansion No 1 (Pty) Limited*			26 329 047	2.23
Maxim Krok			15 587 632	1.32
Aldiss Investments (Pty) Limited*			14 427 602	1.22

\*Treasury shares

There are 84 607 487 treasury shares.

<sup>(1)</sup> At 31 March 2014, 167 775 (2013: 167 775) shares were held directly by JA Copelyn, Non-Executive Director and Chairman and 40 000 (2013: nil) by JA Mabuza, Non-Executive Director and Deputy Chairman. No other director holds shares in the company or any of its subsidiaries. There has been no change to directors' shareholdings between the balance sheet date and the date of these annual financial statements.

# Glossary

Absa	Absa Group Limited
AGM	Annual General Meeting
the board	The board of directors of Tsogo Sun Holdings Limited
CASA	Casino Association of South Africa
CGU	Cash-generating unit
Companies Act	The Companies Act of 2008, as amended
Ebitda	Earnings before interest, tax, depreciation and amortisation
Ebitdar	Earnings before interest, tax, depreciation, amortisation and rentals
Ebitdar margin	This is calculated by expressing Ebitdar as a percentage of revenue
GAAP	Generally Accepted Accounting Principles
Gold Reef	Gold Reef Resorts Limited
HCI	Hosken Consolidated Investments Limited
HEPS	Headline earnings per share
IAS	International Accounting Standards
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
JIBAR	Johannesburg Interbank Agreed Rate
JSE	JSE Limited
SA	South Africa
SENS	Stock Exchange News Service of JSE Limited
STC	Secondary Tax on Companies
Strate	Share Transactions Totally Electronic, an unlisted company owned by the JSE and CSDP
the group	Tsogo Sun Holdings Limited and its subsidiaries, associates and joint ventures
Tsogo Sun or the company	Tsogo Sun Holdings Limited
TSH	Tsogo Sun Hotels, Gaming and Entertainment (Pty) Limited
VAT	Value Added Tax

# Corporate information

## Company Secretary and Registered Office

**GD Tyrrell<sup>(1)</sup>**

Palazzo Towers East  
Montecasino Boulevard  
Fourways, 2055  
(Private Bag X200, Bryanston, 2021)

## Sponsor

**Deutsche Securities (SA) Proprietary Limited**

(A non-bank member of the Deutsche Bank Group)  
(Registration number: 1995/011798/07)  
3 Exchange Square, 87 Maude Street  
Sandton, 2196  
(Private Bag X9933, Sandton, 2146)

## Attorneys

**Tabacks Attorneys**

(Registration number: 2000/024541/21)  
13 Eton Road  
Parktown, 2193  
(PO Box 3334, Houghton, 2041)

## Nortons Inc.

(Registration number: 2009/006902/21)  
135 Daisy Street  
Sandton, 2196  
(PO Box 41162, Craighall, 2024)

## Auditors

**PricewaterhouseCoopers Inc.**

Registered Accountants and Auditors  
(Registration number: 1998/012055/21)  
2 Eglin Road  
Sunninghill, 2157  
(Private Bag X36, Sunninghill, 2157)

## Investor relations

**Brunswick South Africa Limited**

(Registration number: 1995/011507/10)  
23 Fricker Road  
Illovo Boulevard  
Illovo, 2196

## Transfer secretaries

**Link Market Services South Africa Proprietary Limited**

(Registration number: 2000/007239/07)  
13th Floor, Rennie House  
19 Ameshoff Street  
Braamfontein  
Johannesburg, 2001  
(PO Box 4844, Johannesburg, 2000)

## Commercial bankers

**Nedbank Limited**

(Registration number: 1966/010630/06)  
1st Floor  
Corporate Park  
Nedcor Sandton  
135 Rivonia Road  
Sandown, 2196  
(PO Box 1144, Johannesburg, 2000)

## Rand Merchant Bank

A division of FirstRand Bank Limited  
(Registration number: 1929/001225/06)  
1 Merchant Place  
cnr Fredman Drive and Rivonia Road  
Sandton, 2196  
(PO Box 786273, Sandton, 2146)

## Absa Group Limited

(Registration number: 1986/003934/06)  
3rd Floor  
Absa Towers East  
170 Main Street  
Johannesburg, 2001  
(PO Box 7735, Johannesburg, 2000)

<sup>(1)</sup> Mr GD Tyrrell replaced Mr WJ van Wyngaard on his retirement on 30 September 2013



