TSOGO SUN

Integrated Annual Report **2012**

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ABOUT THIS REPORT

In line with the requirements of the King Code of Governance Principles for South Africa 2009 ("King III"), Tsogo Sun has produced this, its first integrated report. This report provides a consolidated review of the group's financial, economic, social and environmental performance on matters material to our strategy, and those of interest to our key stakeholders. In accordance with the stated objectives of integrated reporting, this report focuses on those issues that have a material impact on Tsogo Sun's ability to create and sustain value and outlines how these issues have been integrated within our business strategy.

The integrated report includes all our subsidiaries, associates and joint ventures and covers the period from 1 April 2011 to 31 March 2012. In considering year-on-year comparability, users of the report should appreciate that the results are impacted by the merger of Tsogo Sun Holdings (Pty) Limited ("TSH") and Gold Reef Resorts Limited ("Gold Reef") and that the comparative information for the prior period represents the consolidated results of TSH for the year ended 31 March 2011 with Gold Reef equity accounted for 11 months and consolidated with effect from 24 February 2011. This is covered in the Chief Financial Officer's report on page 27. Where relevant in the report, adjusted comparatives are shown on a like-for-like basis to assist in the understanding of the group's results. It has also been necessary to restate comparative data from prior years due to the provision for long service awards which is covered in the Chief Financial Officer's report on page 27.

The information included in the integrated annual report has been provided in accordance with International Financial Reporting Standards ("IFRS"), the South African Companies Act 2008, the JSE Listings Requirements, King III and the guidance provided in the Integrated Reporting Committee of South Africa's Framework for Integrated Reporting and the Integrated Report Discussion Paper (Framework) 2011. The sustainability information included in this report has been guided by the Global Reporting Initiatives ("GRI") G3 guidelines.

We have commenced our integrated reporting journey and undertake to continuously improve our reporting systems and measures and to provide useful and accurate information. The group is continuously improving its combined assurance model for the integrated annual report. Assurance for this report has been provided through a combination of external and internal sources. Our external auditors, PricewaterhouseCoopers Inc., and internal auditors, KPMG, provided us with guidance regarding the principles and practices around King III and integrated reporting, in this our first integrated report.

The board, assisted by the audit and risk committee, is ultimately responsible for overseeing the integrity of the integrated report. This was achieved through the setting up of a sub committee of the audit and risk committee and a team to oversee the reporting process. The directors confirm that they have collectively reviewed the content of the integrated report and believe it addresses the material issues and is a fair presentation of the integrated performance of the group. The board approved this integrated annual report on 7 September 2012.

We welcome any feedback on the integrated report at investors@tsogosun.com.

PERFORMANCE HIGHLIGHTS

Merger of TSH and Gold Reef successfully implemented and bedded down:

- **14** gaming and entertainment destinations
- More than **90 hotels** with more than **14 500 rooms**
- More than **12 800** direct employees and **18 000** combined direct and indirect employees

The post-merger rebranding of the Tsogo Sun group will assist to leverage our assets under a single corporate identity to highlight the scale and variety of properties the group owns and operates.

Financial results improved through a combination of organic and inorganic growth:

• Income	**R9.0 billion**	**39%**
• Ebitdar	**R3.5 billion**	**41%**
• Ebitdar margin	**38.8%**	**0.6pp**
• Adjusted headline earnings per share	**121.5 cents**	**12%**
• Dividends for the year	**60 cents per share**	**20%**

Debt restructured to extend tenure to 2018 and improve financial strength and durability:

• Free cash flow	**R1.7 billion**	**39%**
• Net debt	**R4.2 billion**	
• Net debt: Ebitdar	**1.2 times**	
• Unutilised net facilities at year end	**R2.3 billion**	
• Additional facility raised post year end	**R1.5 billion**	

Continued reinvestment in existing portfolio and acquisitive growth:

• Maintenance capital expenditure	**R440 million**
• Expansion capital expenditure	**R1.0 billion**

Transformation and empowerment focus remains a key sustainability imperative:

• Value added to black economically empowered businesses and government	**R6.6 billion**
• BBBEE level	**Level 2**

JA Copelyn – Chairman

Overview

The year ended 31 March 2012 was a historic one for the Tsogo Sun group. The merger with Gold Reef and the consequential listing of the group on the JSE in February 2011 has changed the scale of the group and positioned it as the leading hotel, gaming and entertainment group in the country. As Chairman of Tsogo Sun and Chief Executive Officer of HCI, the largest shareholder of the group, I am delighted with what has been achieved and, in particular, with how smoothly the integration of the two businesses has progressed.

The successful rebranding, launched in April 2012, is the next step in positioning the group in its industry leading role and assisting both internal and external stakeholders in understanding the scale and variety of the group's operations.

Operating environment

Despite an improvement in trading in the second half of the financial year, the macro operating environment remains difficult. Both the corporate and consumer markets continue to face uncertain economic circumstances. However, it is this challenging environment that has unearthed many of the opportunities that the group has taken advantage of over recent years, and this situation continues. With a combination of capable management, strong cash flows and a healthy balance sheet, the Tsogo Sun group is well placed to continue to invest in projects whilst focusing on ensuring the existing asset base is managed to its best advantage.

Regulatory challenges continue to be a factor and Tsogo Sun remains vigilant to the risks these pose. We aim to constructively engage with the various government departments to ensure that the value created by the group and the benefits offered in terms of making a positive commercial contribution towards employment creation and tax revenues are fully understood by all stakeholders. The group's value added statement presented on page 17 illustrates this clearly.

Performance and dividends

The year under review saw the end of some complicated accounting relating to the Gold Reef merger in the prior year, and presented the first set of full year operating results of the combined group. Adjusted headline earnings per share increased 12% to 121.5 cents per share and the dividends declared in respect of the year, totalling 60 cents per share, are in line with the group policy of declaring 50% of profits.

Notwithstanding the tough environment, the group should be in a position to continue delivering increased earnings and dividends organically in the medium term, with the rate of growth in both measures being reliant largely on the rate of recovery in the South African economy and with the distinct caveats that the world economy does not experience another recession and the various regulatory authorities under which the group operates do not inhibit our ability to trade.

Corporate actions, such as the additional increase in our effective stake in the Suncoast casino, which is now at 90%, and the acquisition of the Hotel Formula 1 budget hotel business should assist in further enhancing our growth in the years to come.

This integrated annual report includes the key strategic priorities of the group, which are set out on page 20 to page 23, and seeks to describe the programmes that will be required to achieve them. In the Chief Executive Officer's report we describe how every activity of the group is aimed at meeting these strategic priorities. Post the merger, the group has entered a new era with new opportunities, and will need to continuously ensure that the priorities of ensuring the sustainability of the business and growing free cash flow remain top of mind.

BBBEE and CSI

Our 2012 BBBEE rating has been re-affirmed at Level 2. This achievement is the result of a dedicated effort and focus on all areas of the business, and an operating philosophy that ensures the BBBEE impacts of every decision are taken into account. These areas range from tenant selection and employment practices to terms of trade with suppliers and an emphasis on enterprise development.

Priorities for the current financial year include the consolidation of the group's Corporate Social Investment ("CSI") activities under the SunCares programme to ensure both the human and financial resources are deployed as effectively as possible to create a greater beneficial impact on communities. The key focus areas are the SunCares Sports Development Academy and the SunCares Arts Academy and are set out in more detail in the Community section on page 34 to page 35.

Appreciation

I wish to extend my appreciation to both management and the board for their efforts during the year. Tsogo Sun is one of the most dynamic and interesting companies to chair and I look forward to its continued success.

John Copelyn
Chairman

BUSINESS OVERVIEW

Organisational overview

Our vision

Our vision is to provide quality hospitality and leisure experiences at every one of our destinations.

Who we are

Tsogo Sun is Southern Africa's premier gaming, hotel and entertainment group.

The Tsogo Sun heritage dates back to the founding of Southern Sun hotels in 1969. Various mergers and acquisitions have seen the group grow and expand over four decades, most significantly as a result of the successful application for casino licences following the legalisation of the gambling industry in South Africa in 1994.

The merger of TSH and Gold Reef and the effective reverse listing of TSH was concluded on 24 February 2011. TSH was treated as the acquirer for accounting purposes while Gold Reef was the legal acquirer and remains the listed entity, and it has been renamed Tsogo Sun Holdings Limited.

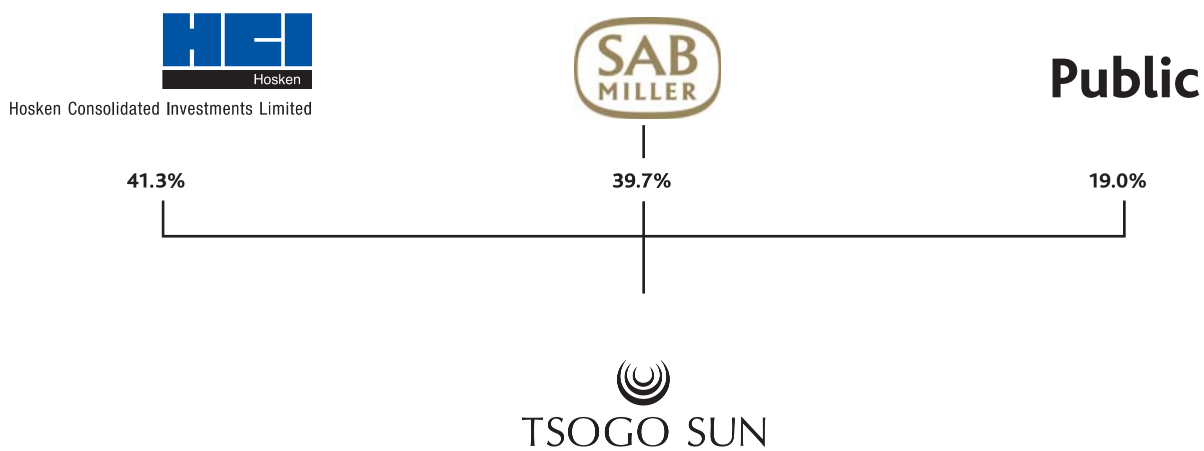
Tsogo Sun's portfolio now proudly comprises over 90 hotels with more than 14 500 hotel rooms across all sectors of the market, from deluxe to budget in South Africa, Africa, the Seychelles and the Middle East; 14 premier gaming and entertainment destinations in six provinces of South Africa; theatres, cinemas, restaurants and bars and over 250 conference and banqueting facilities, including the Sandton Convention Centre.

Our owners

Our key shareholders are Hosken Consolidated Investments Limited ("HCI"), a JSE listed investment holding company, at 41.3% and SABMiller plc ("SABMiller"), the London listed brewing company, at 39.7%, and financial institutions and the general public hold 19.0%, excluding treasury shares. A detailed analysis of shareholding is included on page 124 of the annual financial statements.

The HCI shareholding is of particular importance to the sustainability of the group as it provides the bulk of the 54% broad-based empowered ownership at group level, significantly simplifying our group structure as local empowerment is not required at individual property level, except where specifically required by provincial regulations.

Although the nature of our shareholding impacts the way we are managed due to the majority of the board being appointed by the majority shareholders, the governance environment is robust and actively encouraged by the majority shareholders. Refer to the corporate governance section on page 41 to page 46.



Our business model

We create value through the operation of quality assets in leading locations in key markets and by investing in and building our portfolio across a range of consumer segments.

Tsogo Sun group

Tsogo Sun corporate division performs the group management role in accordance with the strategic and broad operating principles, defined by the board of directors, that guide the group's activities. Its functions include capital and human resource allocation, portfolio management, funding, budget approval, corporate affairs and shared services. Shared services include treasury, legal, finance, human resources, risk, information technology and sales and marketing. Operational decision making is given effect through a group executive committee reporting to the Chief Executive Officer. Divisional Managing Directors and Financial Directors are represented on the group executive committee. The operating divisions comprise Tsogo Sun gaming and Tsogo Sun hotels, both of which lead their respective markets. Key to our group strategy and operating principles is alignment with the objectives of our various stakeholders, which are detailed in our key relationships on page 16 to page 17. Resources, both financial and human, are allocated to the divisions based on the opportunities available to generate sustainable returns.

Following the merger and listing, significant focus was placed during the year on integrating the ex-Gold Reef properties and leveraging the assets and resources within the greater group under a unified management structure with a common corporate identity. This allows us to enhance the experience we can offer our customers across multiple outlets, makes it simpler to do business with the group and assists the market to understand the scale and diversity of our operations under a common Tsogo Sun brand.

TSOGO SUN

100% TSOGO SUN GAMING

100% TSOGO SUN HOTELS

Organisational overview continued

Gaming

Tsogo Sun gaming owns and operates gaming and entertainment complexes across South Africa.

The majority of the gaming operations are wholly owned with minority shareholders in Suncoast (10%), Hemingways (35%), Garden Route (15%) and Mykonos (30%), and with Queens casino an associate investment of 25%.

The group preference is to wholly own its operations thus creating a clearer, simpler operating structure. Empowerment shareholding is achieved at the holding company level, enabling the group empowerment shareholders to participate in all casino operations. Exceptions arise from historical structures and, in the Eastern Cape, where the gaming regulations require local provincial based empowerment ownership.

The gaming and entertainment complexes are primarily located in urban areas and are the entertainment hub for the communities they serve.

The businesses are thus embedded within the local communities and their success is inextricably linked to the wellbeing of the community. Along with the creation of local jobs and the payment of taxes, we seek to stimulate local enterprise and support economic development, collaborate with governments and others on shared challenges – all essential to our ongoing social and regulatory licence to trade.

Significant focus is placed on the nature and quality of the facilities and experiences offered at each gaming and entertainment complex. With the vast majority of customers being locally based regular customers, an important component of our operating model is to ensure the properties remain fresh, attractive and interesting to visitors on an ongoing basis.

Management of relationships with quality restaurant, retail and entertainment tenants is key to retaining footfall at our properties against other leisure offerings. Tsogo Sun gaming currently has in excess of 230 tenants.

The customer loyalty programmes in the division to reward customers with status, benefits and recognition are important as 62% of gaming revenue is contributed by active loyalty club members.

Hotels

Tsogo Sun hotels owns, leases and manages hotels within South Africa, Africa, the Middle East and the Seychelles.

Resources within the hotels division are split between the South African and offshore operations ensuring both areas receive dedicated focus.

Tsogo Sun hotels does not follow the prevalent international trend of operating the business on an "asset light" basis, and the portfolio philosophy remains to own all the components of the business, wherever possible. Although this portfolio philosophy is more capital intensive than the "asset light" model, it allows substantially higher return on effort and in the long term retains control of the assets providing extended tenure and resilience through trading cycles. The components of the hotel business are as follows:

Land	Buildings	Operations	Management	Brand

The group will lease assets both in South Africa and offshore where it is not possible to own the land and buildings, but then loses the growth of the property value over time.

In South Africa the group will only manage operations for third parties if they are strategically important (due to partner requirements or location) and where there is no option to own or lease.

We will manage operations for third parties offshore as this is a low risk option to enter new markets, but in the longer term it would be preferable to own the operation and the property.

We operate hotels as a franchisee where necessary but are not a franchisor of our own brands. This currently includes InterContinental and Formula 1. The decision to utilise non-owned brands as franchisee is driven by brand differentiation requirements.

Tsogo Sun hotel's key differentiator in South Africa is our wide distribution of quality budget to deluxe hotel products.

In addition to quality product, consistent exceptional guest experience remains the focus at all Tsogo Sun hotels to differentiate in an often commoditised industry.

Relationships with key customers and travel intermediaries and access to the correct distribution networks are critical in driving both occupancies and average room rates throughout the hotel division.

The majority of Tsogo Sun hotels' occupancy depends on the business traveller, government and group and convention markets.

The customer loyalty programme in the division is important as 26% of hotel revenue is contributed by active loyalty club members.

Our brands

TSOGO SUN GAMING

The rebranding of the group in April 2012 under the Tsogo Sun name with the utilisation of the Sunburst logo across the entire portfolio will assist in leveraging our assets under a single corporate identity and in communicating the consistent quality and experience of our offerings.

Gauteng	KwaZulu-Natal	Western Cape	Mpumalanga	Eastern Cape	Free State
Montecasino	Suncoast	The Caledon	Emnotweni	Hemingways	Goldfields
Gold Reef City	Golden Horse	Garden Route	The Ridge	Queens Casino	
Silverstar	Blackrock	Mykonos			

TSOGO SUN HOTELS

Ultra Deluxe

Deluxe

Premier

Economy Plus/ Economy

Budget

MAIA
Beverly Hills
Southern Sun Hotels
Palazzo
Sun Square
Southern Sun Resorts
Sandton Sun
Hotel Formula 1
Garden Court
Suncoast Towers
StayEasy
54 on Bath
InterContinental

The Tsogo Sun hotels' brands range from the exclusive, indulgent and luxurious Ultra Deluxe and Deluxe brands, to the style and soul of the Premier brand, the refreshment and value of the Economy Plus/Economy brands and the affordability of the Budget brand. The group is unique in Africa in providing world-class accommodation across all market segments from ultra-luxury to budget.

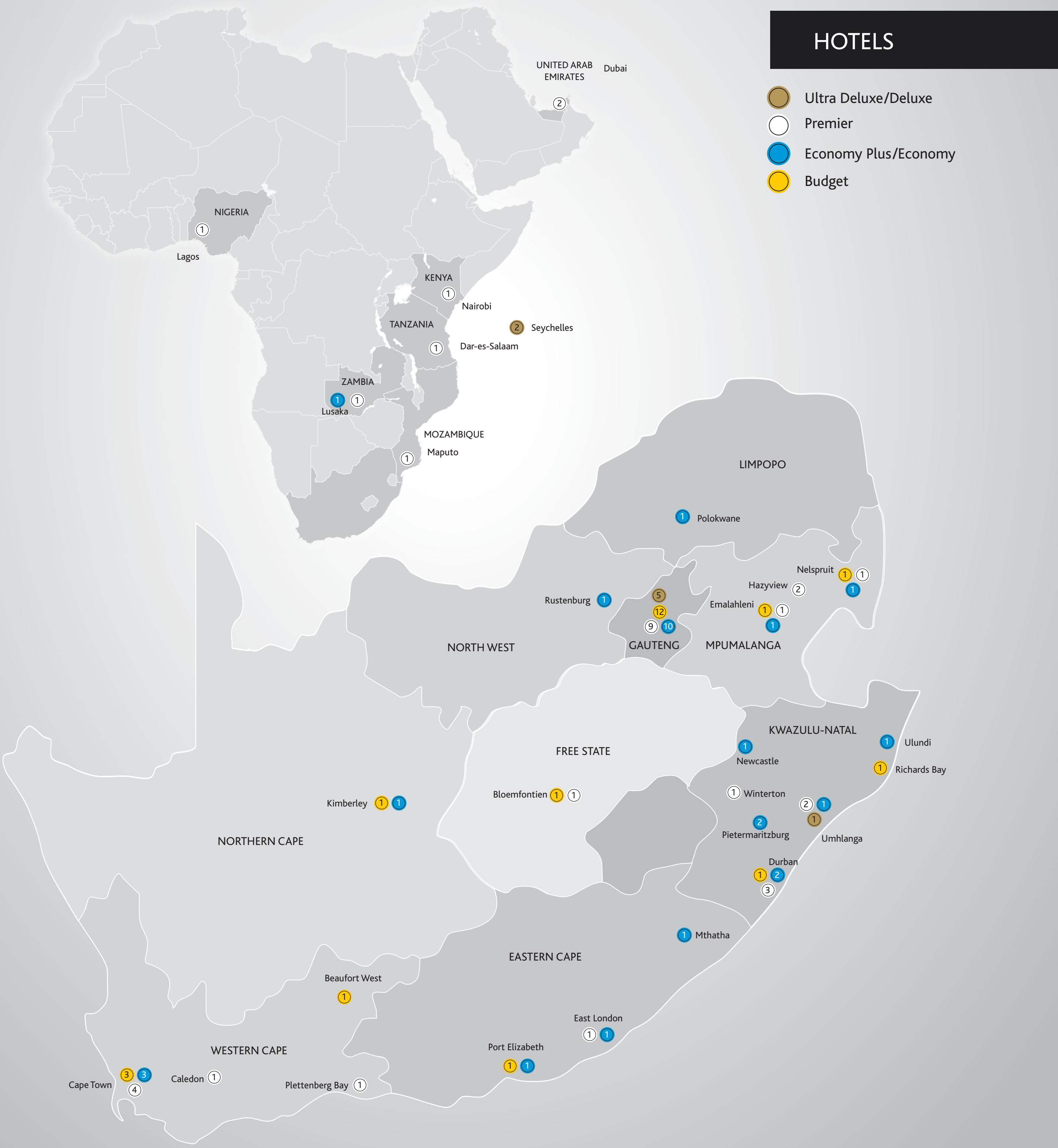
Our footprint

	Ownership %	Tables	Slots	Hotel Rooms	Group Revenue Contribution %	Group Ebitdar Contribution %
Montecasino	100	78	1 714	619	23	26
Gold Reef City	100	50	1 600	113	13	13
Silverstar	100	22	784	34	6	6
Suncoast	90	56	1 354	165	15	18
Golden Horse	100	19	450	86	3	4
Blackrock	100	7	250	40	1	1
The Caledon	100	7	341	95	1	1
Garden Route	85	16	412	–	2	2
Mykonos	70	6	320	–	1	1
Emnotweni	100	10	367	224	3	4
The Ridge	100	18	426	175	4	5
Hemingways	65	12	395	70	3	3
Queens	25	6	181	–	*	*
Goldfields	100	9	250	–	1	2
Other gaming	100	n/a	n/a	175	–	(4)
Total		316	8 844	1 796	78	82

Notes: *Queens casino is equity accounted.
Ebitdar is stated pre-management fees.

	Owned/Leased		Managed		Total		Group Revenue Contribution %	Ebitdar Contribution %
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms		
Deluxe	3	410	3	703	6	1 113	1	1
Premier	21	3 782	6	1 532	27	5 314	9	7
Economy Plus/Economy	20	3 596	8	1 471	28	5 067	7	6
Budget	23	1 690	–	–	23	1 690	1	1
South Africa	67	9 478	17	3 706	84	13 184	18	15
Offshore	6	746	4	709	10	1 455	4	3
Total	73	10 224	21	4 415	94	14 639	22	18

Note: Management of the two Dubai properties taken in house by owner post year end.



Our board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MN von Aulock (38) 1
CA(SA)
Executive Director – Chief Executive Officer

Marcel von Aulock served his articles at PwC and joined Tsogo Sun as Group Financial Manager in 1999. In 2004 he was promoted to Group Strategic Planning Director. In 2009 he was appointed Chief Financial Officer and on 30 September 2011 he assumed the role of Chief Executive Officer.

RB Huddy (43) 2
CA(SA)
Executive Director – Chief Financial Officer

Rob Huddy served his articles at PwC and joined Tsogo Sun in 1997. He held various management positions prior to being appointed Financial Director – Hotels Offshore in 2006 and Financial Director – Hotels South Africa in 2009. On 30 September 2011 he assumed the role of Chief Financial Officer.

JA Copelyn (62) 3
BA(Hons), BProc
Non-executive Chairman and member of the remuneration committee

John Copelyn joined HCI as Chief Executive Officer in 1997. He was previously General Secretary of the Southern African Clothing and Textile Workers Union from 1974 before becoming a member of parliament in 1994. He currently holds various directorships and is Non-executive Chairman of e.tv.

JA Mabuza (54) 4
Non-executive Deputy Chairman

Jabu Mabuza joined Tsogo Sun in 1995 from South African Breweries ("SAB") and served as Chief Executive Officer from 2006 to September 2011. Following his retirement, he assumed the role of Non-executive Deputy Chairman. He has held directorships for numerous companies and has served as Chairman of the Mpumalanga Development Corporation, Future Bank, the Marketing Federation for African Business, the South African Tourism Board and is currently Chairman of the Casino Association of South Africa ("CASA").

MA Golding (52) 5
BA(Hons)
Non-executive Director

Marcel Golding joined HCI as Chairman in 1997. Prior to this he was a member of parliament and Deputy General Secretary of the National Union of Mineworkers. He is Chief Executive Officer of e.tv and Chairman of Golden Arrow Bus Services, KWV Holdings and HCI Coal.

JM Kahn (73) 6
BA(Law), MBA, DCom(hc), SOE
Non-executive Director

Meyer Kahn joined SAB in 1966 and was appointed to the board of SAB in 1981. He was appointed Group Managing Director in 1983 and Executive Chairman in 1990. In 1997 he was seconded as the Chief Executive of the South African Police Services for two and a half years. He was appointed Chairman of SABMiller upon its listing on the London Stock Exchange in 1999 and served in this position until his retirement in July 2012.

EAG Mackay (63) 7
BSc(Eng), BCom
Non-executive Director and member of the remuneration committee

Graham Mackay joined SAB in 1978 and has held a number positions including Executive Chairman of the SA beer business. He was appointed Group Managing Director in 1997 and Chief Executive of SABMiller upon its listing on the London Stock Exchange in 1999. He is a Director of Reckitt Benckiser Group plc and Philip Morris International Inc. He currently serves as Executive Chairman of SABMiller.

Our board continued

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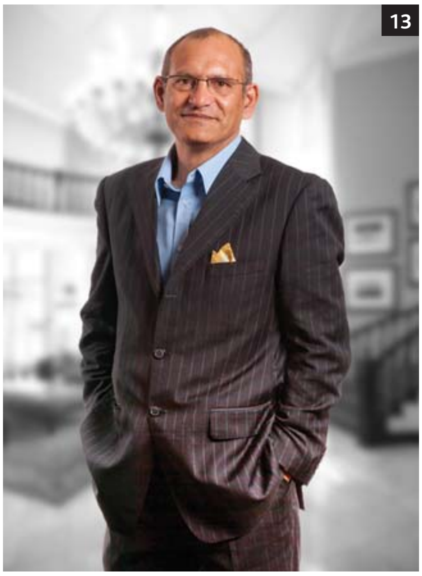


VE Mphande (54) 8
Elec Eng (Dip)
Non-executive Director

Elias Mphande has served as the National Organising Secretary of the Southern African Clothing and Textile Workers Union, Marketing Director of Viamax Fleet Solutions, Chief Executive Officer of AUTA and the Vukani Group and Chairman of Golden Arrow Bus Services. He was appointed to the HCI board in 2010 as a Non-executive Director and serves on the board of Vukani Gaming Corporation and e.tv.

A van der Veen (41) 9
CA(SA)
Non-executive Director

Andre van der Veen joined HCI in 2004 after its acquisition of Mettle. He was Chief Executive Officer of Johnnic Holdings and currently serves as the Chief Executive Officer of KWV Holdings and Niveus Investments and Non-executive Chairman of HCI Coal.

MI Wyman (66) 10
CA(SA)
Non-executive Director

Malcolm Wyman joined SAB in 1986 and joined the board as Group Corporate Finance Director in 1990. He was appointed to the board of SABMiller upon its listing on the London Stock Exchange in 1999. He was Chief Financial Officer from 2001 until his retirement in July 2011. He is a Director of Nedbank Group Limited, Nedbank Limited and Imperial Tobacco Group plc.

RG Tomlinson (49) 11
BCom, HDip Personnel Management
Lead independent Non-executive Director, Chairman of the audit and risk committee and the social and ethics committee and member of the remuneration committee

Rex Tomlinson was Human Resources Director of Illovo Sugar Limited, before joining Nampak, where he held numerous executive line management roles and was a member of the Nampak Limited board. He joined Liberty Holdings in 2004, was appointed Deputy Chief Executive in 2005 and to the Liberty Holdings board in 2006 where he served until his resignation in 2010.

JG Ngcobo (61) 12
Independent Non-executive Director, member of the audit and risk committee, the social and ethics committee and remuneration committee

Jabu Ngcobo held the positions of General Secretary of the Southern African Clothing and Textile Workers Union from 1994 to 1999 and the Regional Secretary for Africa of the International Textile Garment and Leather Workers Federation from 1999 to 2006. He was appointed to the board of HCI in 2004 and serves as a Director of HCI Coal.

Y Shaik (54) 13
BA(Law), BProc
Independent Non-executive Director, member of the audit and risk committee and the social and ethics committee and Chairman of the remuneration committee

Yunis Shaik is an admitted attorney of the High Court of South Africa and is presently in private practice. He is a former Deputy General Secretary of the Southern African Clothing and Textile Workers Union and a Director of Workers' College. He has served as a Senior Commissioner to the KwaZulu-Natal CCMA. He was appointed to the board of HCI in 2005 and as lead independent Non-executive Director of HCI in 2010.

Our key relationships

We create value through our relationships with our stakeholders. Building trust, mutual respect and credibility with our stakeholders is vital to our long-term sustainability.

All interactions with our stakeholders are based on our values which guide our behaviour to ensure our stakeholders know what to expect from us. We have taken our stakeholders' views into account in formulating our strategic priorities. We welcome any feedback at investors@tsogosun.com.

The following table provides an overview of our key stakeholder groups, their interests and concerns and how we engage with them.

Key interests and concerns	Methods of engagement	Reference
Investors and funding institutions		
• Sustainable growth and returns on investment • Dividends • Risks and opportunities of expansion • Corporate governance and ethics • Liquidity and gearing	• JSE news services • Media releases and published results • Annual reports • Annual general meetings • Dedicated analyst and investor presentations • One-on-one meetings • Online investor portal	Integrated performance review – Chief Financial Officer's report and operations review – page 27 to page 32
Government and regulatory bodies		
• Taxation revenues • Compliance with legislation • Compliance with licence conditions • Job creation • Investment in public and tourism infrastructure • Investment in disadvantaged communities • Advancing transformation • Social impacts • Reduction in energy and water consumption	• Establish constructive relationships • Comment on developments in legislation • Participate in forums • Written responses in consultation processes • Presentations and feedback sessions • Regulatory surveillance, reporting and interaction • Membership of industry bodies, e.g. CASA, Fedhasa, BLSA, etc.	Integrated performance review – Regulation and transformation – page 33 Integrated performance review – Environment – page 40
Customers		
• Quality product • Consistent quality experience • Ease of doing business with us • Value offerings	• Satisfaction surveys • Loyalty clubs • Customer relationship managers • Call centres • Website and active Twitter and Facebook engagement • One-on-one interaction	Integrated performance review – Customers – page 36
Communities		
• Investment in disadvantaged communities • Employment opportunities • Sponsorships • Responsible gaming	• Events and sponsorships • Media channels • Corporate social investment initiatives • National Responsible Gaming Programme	Integrated performance review – Community – page 34 to page 35
Employees and unions		
• Job security • Engagement • Performance management • Clear understanding of reward structures • Health and safety performance • Access to HIV counselling and wellness programmes • Career planning and skills development • Preferred employer	• Communication from executives • Roadshows • Intranet and internal newsletters and posters • Induction programmes • Ongoing training and education • Employee surveys • Performance management programmes • Anti-fraud, ethics and corruption hotline • Trade union representative meetings • Staff engagement programmes	Integrated performance review – Employees – page 37 to page 38

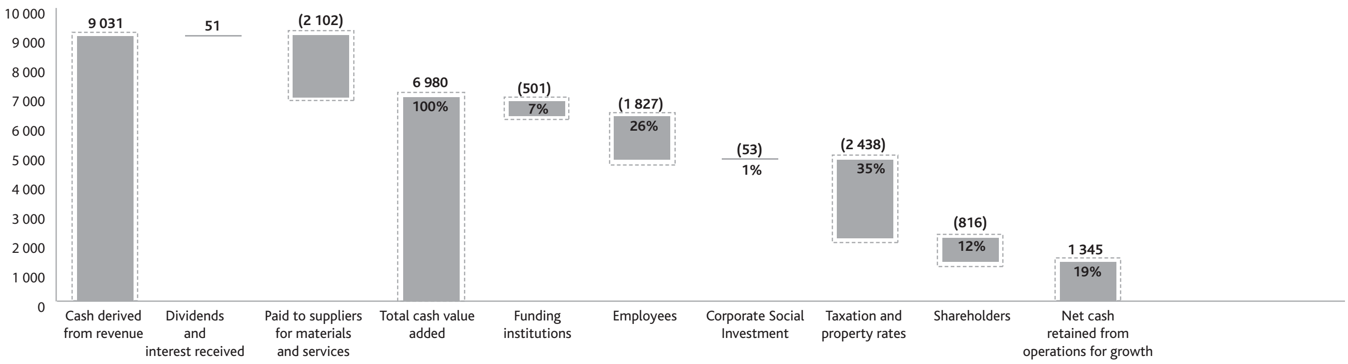
Key interests and concerns	Methods of engagement	Reference
Suppliers and business partners		
• Timely payments and favourable terms • Fair treatment • Broad-based Black Economic Empowerment compliance	• One-on-one meetings • Tender and procurement processes • Anti-fraud, ethics and corruption hotline • Supplier forums	Integrated performance review – Business partners – page 39

In addition to providing exceptional experiences to our customers, the group generates direct and indirect financial benefits for our stakeholders including:

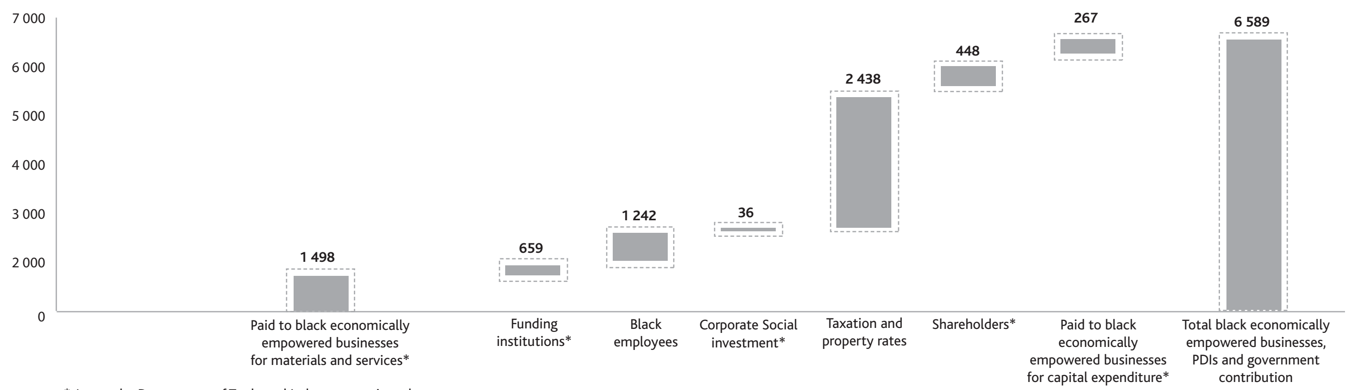
- returns for our shareholders and funding institutions;
- substantial income tax, dividends taxes, gaming levies and VAT, employees' tax and property rates and taxes to national and provincial government;
- corporate social investment within the communities we serve;
- employment within the communities we serve;
- sustainable business for our national and local business partners and suppliers which creates wealth and additional employment; and
- continuous investment to maintain and expand our portfolio of properties.

A substantial portion of the value added wealth generated by the group is spent with/distributed to black economically empowered businesses, previously disadvantaged individuals ("PDIs") and government. The value added by the group and the contribution to black economically empowered businesses, PDIs and government is as follows:

Value added for the year ended 31 March 2012 (Rm)



Value added to black economically empowered businesses, PDIs and government for the year ended 31 March 2012 (Rm)



* As per the Department of Trade and Industry generic code

Key risks

The principal risks facing the group and considered by the board are detailed below. The group's well developed risk governance process is described in the corporate governance section on page 44 to page 46.

Principal risks	Specific risks we face	Potential impact
Adverse tax environment	• Proposed increased national and provincial gaming taxes • Increased rates and property taxes	• Reduced profitability • Uncertain operating environment resulting in frozen investment spend
Macro-economic environment	• Reduced gaming spend • Reduction in corporate, government and group and convention travel	• Lower revenue growth and profitability
Regulatory change and compliance	• Changes in casino licensing conditions • Loss of casino licences • Changes in labour legislation • Not meeting changing BBBEE requirements • Increased complexity of compliance, e.g. Protection of Personal Information and Consumer Protection Acts	• Significantly higher costs, lower revenue and reduced profitability
Unreliable and costly infrastructure	• Unreliable water supplies • Unreliable electrical supply • Rise in electricity costs • Rise in water costs • Rise in rates and taxes	• Disruption to operations and reduced profitability
Human resources	• Limited pool of qualified, trained and talented staff • Employment equity challenges at senior levels • HIV/AIDS	• Reduced customer satisfaction, disruption to operations and reduced profitability
Capacity issues	• Fixed cost nature of the business • Casino capacity constraints • Hotels' oversupply in certain markets	• Lower revenue growth and profitability
Crime and security	• Casino and hotel robberies • Fraud by employees • Fraud from external sources	• Lower revenue and profitability • Reputational risk

Mitigation	Associated strategic priorities
• Lobby government through CASA • Educate legislators regarding gaming impact through direct lobbying • Publicity campaigns in press and other media • Lodge of appeals on assessments • Ensure property values are always accurate and at the disposal of municipalities	• Sustainability – Regulatory compliance • Growth – Organic growth
• Review organisational structures • Further focus on cost reduction • Renewed and focused marketing • Loyalty programmes	• Sustainability – Financial strength and durability • Growth – Organic growth
• Engage authorities, including gaming boards • Submit comments to law makers through formal comment structures • Review company structures and staffing levels • Robust compliance procedures • Engage law makers through employer bodies	• Sustainability – Deliver to our stakeholders • Sustainability – Regulatory compliance
• Demand-side management programmes to reduce consumption • Water handling/storage capacity for emergency supply • Self-reliance on generators for emergency electricity supply	• Sustainability – Product relevance • Growth – Organic growth
• Retention of staff through appropriate remuneration structures • Engage with and empower staff • Fast track and develop talented staff • Performance-driven culture • Focused employment equity strategy	• Sustainability – Human resources • Growth – Organic growth
• Review organisational structures • Further focus on cost reduction • Gold Reef and divisional integration synergies • Renewed interaction with gaming boards and city officials • Renewed focus on loyalty programmes	• Growth – Organic growth
• Physical security and surveillance procedures • Good relations with the South African Police Service • Crime intelligence • Internal control frameworks • Internal audit procedures • Payment card industry standards	• Sustainability – Regulatory compliance

Our strategic priorities

Tsogo Sun's strategic priorities can be described in two broad themes – sustainability and growth. Every activity undertaken by every employee of the group should be to further these strategic priorities.

	Strategic priorities – **Sustainability**
	The key pillars of our sustainability include meeting the reasonable requirements of stakeholders, financial strength and durability, maintained product relevance, regulatory compliance and adequate skilled human resources. ***In summary, a business has to stay in business to be able to take advantage of the commercial opportunities that are presented to it. Good businesses fail when they are fragile, inflexible, unethical and/or poorly managed.***
Deliver to our stakeholders	A stable shareholder base is vital to the sustainability of any business. The distraction of constant restructuring and changes in controlling shareholders can be costly to a business in terms of commercial opportunities missed. The nature of the shareholders of the group is even more important in a highly visible and regulated industry such as gaming. Popular misconceptions about the industry make it a target for attacks through excessive taxation and regulation. While the group spends significant money and time on engaging with stakeholders to ensure the true facts around issues such as problem gaming are presented, the strongest protection for the business is to ensure that a significant portion of the economic benefits of ownership flow to community, charitable or socially beneficial organisations. This can be achieved through meaningful CSI programmes but also through direct and indirect equity ownership and employment.
Financial strength and durability	Macro-economic conditions will vary in cycles. This is particularly relevant in the hotel industry that is in a perpetual state of under or over supply. In order to be able to withstand the impacts of these cycles, the group has ensured that debt is used judiciously, with careful monitoring of net debt to Ebitdar and debt service cover ratios. In addition the group has ensured that there are always sufficient credit facilities with long-term maturities, providing adequate liquidity in any reasonable set of economic circumstances.
Product relevance	Tsogo Sun sells experiences including hospitality, gaming, dining and entertainment. To provide the variety and quality of experiences demanded by the group's various clientele at the appropriate price points, the group needs to constantly monitor and invest in: • physical product that caters to the customer – including hotel operating equipment, major and minor refurbishments to both hotel and entertainment complexes, gaming equipment, tenant allowances and mind and mood infrastructure to enhance customer experience; • technology that works for the customer and makes the product work – including gaming management systems to ensure optimal gaming floor utilisation, guest facing and back of house hospitality systems for in house facilities and reservations, channel and customer relationship management; and • accessibility that allows the customer to utilise the group's products with minimal barriers to entry – including physical facilities as simple as sufficient parking, accessibility for mobility-impaired guests, easy access to reservation systems and personnel, for both trade and individual buyers, and easy access to information on the group's products.
Regulatory compliance	Gaming licences are extremely valuable assets to the group. These are issued for an indefinite period (with the exception of the Eastern Cape based licences) and are maintained through a strict compliance culture including compliance with all laws and regulations to which the group is subject. This strict culture of compliance is applied to all aspects of the group's business including areas as diverse as hospitality hygiene, liquor licences, fire and life safety regulations and competition law. Despite the significant cost involved, the group treats compliance as a necessary investment and not an unavoidable cost, and recognises that compliance yields benefits such as an enhanced financial and operational internal control environment.
Human resources	People are at the core of delivering a Tsogo Sun experience, both front and back of house. At the guest level, Tsogo Sun does not sell a system or manufacture a physical product for resale. Every aspect of the business, from the gamer's experience at the roulette wheel to the dining experience in the restaurants, to the check in and check out at the front desk, requires an interaction with people of the group. A pool of qualified, trained and talented people is required to deliver these experiences, supported by empowered management and relevant support services. At the corporate level the group is reliant on executives and managers who can identify and manage both risk and opportunities and implement appropriate responses. These individuals, both senior and junior, need to apply long-term thinking and avoid quick and unsustainable fixes. In order to attract and retain the appropriate talent pool, the group needs to ensure all aspects of the employee's experience, including but not limited to remuneration and incentivisation, is properly structured.

We utilise a range of key performance indicators ("KPIs") to monitor our progress against our strategic priorities.

What we measure	How we performed in 2012	Report reference
Black ownership	54%	Business overview – Organisational overview – page 6
Value added contribution to black economically empowered businesses, PDIs and government	R6.6 billion	Integrated performance review – Regulation and transformation – page 33
CSI outcomes	Launch of SunCares sports development and arts academies	Business overview – our key relationships – page 16 to page 17
	Growth of Book-a-Guesthouse programme	Integrated performance review – Community – page 34 to page 35
Net debt to Ebitdar	1.2 times	Chief Executive Officer's review – page 24
Debt service cover ratio	2.8 times	Integrated performance review – Chief Financial Officer's report – page 27 to page 29
Unutilised net facilities (including available cash on hand)	R2.3 billion	
Weighted average number of months to expiry of debt facilities (excluding permanent revolving credit facilities)	47 months	
Gaming		Chief Executive Officer's review – page 24 to page 25
• Loyalty Club membership contribution to gaming revenue	62%	Integrated performance review – Customers – page 36
• Slot machine average age	4.6 years	
Hotels		
• Loyalty Club membership contribution to hotel revenue	26%	
• Guest satisfaction	86%	
• Hotels property audits	No material deviations from brand standards	
Maintenance capital expenditure	R440 million	
Gaming regulation breaches	Nil	Chief Executive Officer's review – page 25
BBBEE level	Level 2	Integrated performance review – Regulation and transformation – page 33
Hygiene audits	No significant issues noted	Integrated performance review – Customers – page 36
Staff resignations	9.8%	Chief Executive Officer's review – page 25
Employee engagement score – hotels	73%	Integrated performance review – Employees – page 37 to page 38
Employment equity score	11.03/15	
Training spend as a % of revenue	2.78%	

Our strategic priorities continued

Tsogo Sun's strategic priorities can be described in two broad themes – sustainability and growth. Every activity undertaken by every employee of the group should be to further these strategic priorities.

	Strategic priorities – Growth
	The value of a business is the present value of the future cash flows that can be generated by the assets owned or controlled. Accordingly, the only true measure of growth for our business over time is the growth in cash flow. ***The assets that generate these cash flows include physical assets such as property, plant and equipment and employees as well as intangible assets such as licences, brands, trademarks and systems.*** ***Growth in cash flows over time are generated through the optimal operation of the group's assets or "organic growth" and building the tangible and intangible asset base of the group through developing and acquiring new businesses or "inorganic growth".*** ***While the use of cash flow as the only measure of growth may appear mercenary, it is only with sustainable and growing cash flows that a business can hope to increase its value to stakeholders and thereby achieve a multitude of additional benefits such as increased levels of employment and meaningful social contributions.***
Organic growth	Both hotels and gaming have high levels of operational gearing due to substantial levels of fixed operating costs. The major driver of long-term organic growth will arise from maximising the revenue generated from the group's asset base in all macro-economic circumstances. Operational overheads must be reviewed and measured for efficiency and to ensure each Rand spent is either in support of the objective of sustainability or growth. Capital expenditure is an important component of both maintaining and improving the group's facilities and thereby ensuring revenue sustainability and growth.
Inorganic growth	Inorganic growth will be a combination of capacity increases in existing businesses, greenfield developments in new markets and acquisitions within the group's core competence. In all situations, a discipline around due diligence and feasibility is critical to ensuring the success of growth projects. The propensity for growth projects to absorb both financial and human resources must be carefully evaluated within the group's capacity tolerances as these can impact on some of the pillars of sustainability.

We utilise a range of key performance indicators ("KPIs") to monitor our progress against our strategic priorities.

What we measure	How we performed in 2012	Report reference
Revenue growth – organic	5%	Chief Executive Officer's review – page 24 to page 26
Ebitdar growth – organic	7%	Integrated performance review – Chief Financial Officer's report – page 27 to page 29
Free cash flow	R1.7 billion	
Maintenance capital expenditure	R440 million	
Adjusted HEPS growth	12%	
Gold Reef incremental revenue	R2.1 billion	Chief Executive Officer's review – page 26
Gold Reef incremental Ebitdar	R0.8 billion	Integrated performance review – Chief Financial Officer's report – page 28
Expansion capital expenditure	R1.0 billion	

MN von Aulock – Chief Executive Officer

Overview

As indicated in the our strategic priorities section on page 20 to page 23 of this report, Tsogo Sun has two strategic priorities: Sustainability, or making sure we stay in business, and Growth, as measured by increased free cash flow over time. The merger of TSH and Gold Reef in February 2011 was a significant step in furthering both of these objectives.

The operational focus of the year under review was the implementation and bedding down of this merger and I'm delighted to report that this has been successfully concluded. The management of both Tsogo Sun gaming and the previous Gold Reef units must be commended for the highly professional manner in which this was achieved. Tsogo Sun is now a group with a best in class asset base, a more diversified portfolio and a strong balance sheet.

Sustainability

In order to take advantage of commercial opportunities that are presented, a business needs to first and foremost stay in business. The discussion on sustainability is about the major pillars of focus for ensuring the long-term survival and prosperity of Tsogo Sun.

Financial strength

A key result of the merger was the effective acquisition of the 75% of Gold Reef that TSH did not own through the issuance of shares, in an attractive exchange ratio, rather than debt. Given the uncertain economic environment, the prudent levels of gearing that the combined group now enjoys, with Net debt:Ebitdar of 1.2 times, is a significant advantage as we have the financial resources to both withstand unexpected shocks from the macro-economic environment, and still pursue attractive opportunities to invest capital in our core businesses.

During the year the group restructured its various debt funding facilities, effectively reducing annual capital servicing requirements and extending tenure from 2014 to 2018, either as bullet loans or amortising debt. I refer you to the Chief Financial Officer's report on page 29 for more information. As at 31 March 2012, the group enjoyed more than R2.3 billion in available cash and unused facilities, and this was extended by a further R1.5 billion additional facility in August 2012.

Stakeholders

The group enjoys a stable shareholder base through HCI and SABMiller which is a key pillar of sustainability. Both shareholders have strong financial positions and their shareholding in Tsogo Sun is not encumbered by debt or subject to any other potential forced disposal. The continued relevance of the group's stakeholders is an aspect that will be key to the future of the group, as it will always be important who owns us and who enjoys the economic benefit of the group's activities through dividends, employment, taxes and social programmes.

In summary, we are a single group that employs 18 000 people directly and indirectly and pays over R2 billion in direct taxes per annum. We pay steady and significant dividends, ensuring HCI in particular can continue to develop and diversify its asset base generating sustainable wealth for its largely union, charity and previously disadvantaged shareholder base. I refer you to the value added statement in the key relationships section on page 17 and the community section on page 34 to page 35 for further information.

Product relevance

As a result of the listing, the group undertook a major rebranding exercise to assist both internal and external stakeholders to better understand the variety of products that the group owns and operates. Arising from this exercise, the essence of the group's products is "experiences". In order for our customers to consume our product, they need to physically visit our properties, be it for theatre, dining, gaming or hospitality.

In order to make our experiences attractive, the group's product needs to be relevant and accessible to the customer. Accordingly, we have invested significantly in both distribution of product and maintenance capital expenditure in our various units. The maintenance capital expenditure alone amounted to some R440 million in the financial year and R2.1 billion over the last five years. In addition, the group continues to allocate significant human and financial resources to systems to ensure the offering at each unit is relevant to the market that it serves. Key activities during the year under review included, but were not limited to:

- the continued upgrade of our slot machines on an approximate seven year replacement cycle, with specific interventions where product is found to be less popular and under-utilised;
- refurbishments of major hotels and casinos, including Southern Sun Cullinan and Southern Sun North Beach;
- the redevelopment of Hemingways in terms of the licence rebid; and
- a unit-by-unit assessment of the ex-Gold Reef properties to determine what interventions are required.

Focus for the coming years will include the redevelopment and relaunch of the Silverstar casino to provide a greater variety of entertainment offerings to the Gauteng West Rand market, the potential expansion of the Suncoast casino in Durban which is suffering from capacity constraints, and the continuous refresh of gaming products on our floors and guest facilities and amenities at our hotels.

Regulatory compliance

The group continued to comply with all relevant regulations and enforced a culture of compliance at all levels of the organisation. These activities include the work of various compliance committees and the deployment of sufficient qualified monitoring personnel within the business. Compliance is not limited to intensive gaming regulation requirements, but also involves having systems and review processes to understand and abide by areas as diverse as liquor and fire regulations, health and hygiene standards, labour, competition and consumer laws.

Whilst we respect the important role that the various regulatory bodies play in society and business in general and towards the affairs of the group specifically, we have been, and are still, forced to challenge elements of law and regulation that we believe are misguided or will have unintended consequences on the group and its customers. We are currently in dispute with various gaming boards and other government departments on a number of issues, ranging from new licence conditions that are sought to be imposed upon us, to restrictions on our ability to expand our gaming positions, to unrealistic advertising restrictions and certification requirements. We will continue to defend our commercial rights whilst maintaining a cordial and co-operative relationship with various levels of government.

We have long held the view that, provided management applies itself diligently and does not make poor commercial decisions, the only real threats to the sustainability of the Tsogo Sun group are a total macro-economic collapse in South Africa which is unlikely, and regulatory changes that either cripple the ability of the businesses to operate or remove all commercial incentive to do so.

Human resources

The caveat set out above is that management applies itself diligently and does not make poor commercial decisions. The success of the Gold Reef integration and the clear leadership position that the group now has in both the hotel and gaming industries is a testament to the hard work and aptitude shown by the management teams and their staff in both divisions. As dealt with below, a critical element of evaluating new opportunities is the availability of skilled, qualified people to run these operations successfully.

Tsogo Sun aims to recruit staff with the best skills and attitudes available. We then provide an enabling and positive work environment through programmes within gaming (Tsogo Way) and hotels (Siyakhanya). A proper work environment is often as important to derive the best performance from a workforce as are the levels of remuneration.

During 2012 we were again honoured with the "Best Employer Award" in the hotel and gaming sector by the Corporate Research Foundation Institute.

Staff turnover, which has reduced substantially over the last decade, remains within acceptable levels. The remuneration section on page 46 to page 49 highlights the group's philosophy towards remuneration and incentivisation, ensuring we do not lose valuable talent.

Growth

The value of a business is the present value of the cash flows that can be generated by the assets owned or controlled. Accordingly, the only true measure of growth for our business over time is its growth in free cash flow.

Organic growth

The casino gaming industry in South Africa has weathered the economic downturn well, but has not been unscathed. Ebitdar margins have reduced by some six percentage points since the peak of 2008 as revenue growth has been below operating cost increases.

In hotels, the environment remains a challenge. After reaching multi-decade lows in 2010, industry occupancies have shown some recovery, but are still well below normal levels of around 67%. This has the exponential impact of limiting pricing power, resulting in a significant 14% reduction in revenue per available room ("Revpar") since the peak of 2008.

However, a recovery in consumer and business confidence, driving growth in leisure spend and corporate travel respectively, is the largest growth opportunity for the group. With our unparalleled asset base, Tsogo Sun stands to benefit significantly from the high levels of operational gearing in the industries it operates in, and should see a significant increase in operating cash flow if organic revenue growth, even marginally above inflationary levels, can be sustainably achieved.

The group's financial results for the year ended 31 March 2012 reflect this with a like-for-like revenue growth in the combined Tsogo Sun and Gold Reef group of 5%, translating to a growth in Ebitdar of 7%, despite the non-repeat of the benefits of the 2010 FIFA Soccer World Cup ("World Cup") held in the prior year.

It is too early to tell if this recovery, experienced in primarily the second half of the year, will continue, but through the restructure and centralisation of the sales and marketing teams, we hope to be in a position to capture every Rand of revenue we can.

Operating, finance and taxation costs are strictly monitored and benchmarked across the group. Of equal importance to managing operating overheads is to ensure that money spent is allocated to the right areas and will ultimately assist in revenue generation or sustainability. Maintenance capex, as discussed above, is vital to maintaining and improving the group's asset base.

Free cash flow of R1.7 billion generated in the year under review is an exciting base on which to build.

Inorganic growth

Inorganic growth is pursued through a combination of expanding our existing facilities, greenfield developments and acquisitions within the group's core competence. Over and above the Gold Reef merger, which was the most significant acquisition, the group continued to invest capital in attractive opportunities:

- the acquisition of an additional 16.5% effective interest in the Suncoast casino for R510 million has brought the group's share of ownership in this operation to 90%. This was 43.5% as recently as 2009. The whole ownership of our casino operations is a significant advantage in the industry as we achieve clear access to cash flows and the market is better able to understand the true value of the group;
- the acquisition of the remaining 52.6% of Hotel Formula 1 from our joint venture partner Accor for R300 million, which was concluded in March 2012, should be a significant contributor to the hotel profits in future years. This acquisition is also meaningful in that it rounds off the group's portfolio with ownership of one of the market leaders in the high potential budget hotel category; and
- additional property-related acquisitions were concluded, including the acquisition of the 232-room Garden Court Milpark hotel for R95 million, (previously leased), the hotel previously operated as "The Grace" and offices in Rosebank for R85 million which have been successfully refurbished and relaunched as 54 on Bath, a stylish 75-room boutique property, and several smaller acquisitions.

Unfortunately, post year end, we were informed that Emaar Hospitality, the owner of the two properties managed by the group in Dubai, wished to take the management of these properties in house in line with their strategy of managing their own assets. An adequate settlement for early termination of the contracts was received. Neither the impact of the termination settlement, nor the loss of future management fees are material to the group.

South Africa and Africa continue to offer good investment opportunities. These are evaluated by the group with a strong focus on ensuring that we are capable of operating them successfully, they are priced for value and that they do not impinge on our sustainability. In essence, we don't want to make mistakes.

Provided the macro economy does not go into free fall and that regulatory changes are well considered by the relevant authorities, we remain confident of generating significant value for our stakeholders going forward.

Marcel von Aulock
Chief Executive Officer

Chief Financial Officer's report

RB Huddy – Chief Financial Officer

Financial highlights

• Income R9.0 billion	39%
• Ebitdar R3.5 billion	41%
• Ebitdar margin 38.8%	0.6pp
• Adjusted earnings R1.3 billion	36%
• Adjusted HEPS 121.5 cents	12%
• Dividends for the year 60 cents per share	20%
• Free cash flow R1.7 billion	39%
• Investment activities R1.0 billion	
• Net debt R4.2 billion	(1%)
• Net debt:Ebitdar 1.2 times	
• Debt service cover ratio 2.8 times	
• Unutilised net facilities R2.3 billion	

Overview

We measure our creation of shareholder value through the increase in adjusted headline earnings per share and the generation of free cash, our efficiency through Ebitdar margin and our financial risk through our Net debt:Ebitdar ratio.

We achieved an improved performance in all of these measures during the year with adjusted headline earnings per share increasing by 12% to 121.5 cents per share, free cash generation improving 39% to R1.7 billion, our Ebitdar margin improving by 0.6pp to 38.8% and a reduction in the Net debt:Ebitdar ratio to 1.2 times with net debt only increasing by 1% to R4.2 billion despite the investment activities (including maintenance capital expenditure) of R1.4 billion and the payment of R0.8 billion in dividends.

Investment activities are carefully evaluated along with the maintenance capital investment to ensure that cash retained from operations is maximised over the medium term in line with our strategic priorities.

This summarised report should be read with the consolidated annual financial statements on page 56 to page 109 which set out the financial position, results and cash flows for the group for the financial year ended 31 March 2012 and the operations review on page 30 to page 32 which sets out the segmental operational performance of the group.

Restatement

In terms of IAS 19 *Employee Benefits*, a provision relating to long service awards of R106 million (2011: R88 million, 2010: R55 million) has been recognised in the consolidated balance sheet as at 31 March 2012. The cumulative impacts for 2011 and 2010 on retained earnings of R62 million and R39 million respectively, non-controlling interests of R2 million and R1 million respectively, and deferred tax of R24 million and R15 million respectively, have been restated and the operating profit and tax adjusted accordingly.

Comparability

The merger of TSH and Gold Reef and the effective reverse listing of TSH via the acquisition by Gold Reef of the entire issued share capital of TSH through the issue of new (consideration) shares to Tsogo Investment Holding Company (Pty) Ltd and SABSA Holdings (Pty) Ltd was concluded during the previous financial year, on 24 February 2011.

In terms of IFRS 3 *Business Combinations (Revised)*, the transaction is a reverse acquisition as the shareholders of TSH became the majority shareholders of Gold Reef. Accordingly, TSH is treated as the acquirer for accounting purposes, whilst Gold Reef is the legal acquirer and remains the listed entity. Gold Reef was renamed Tsogo Sun Holdings Limited effective 5 August 2011.

The consolidated income statement and cash flow statement for the year ended 31 March 2012 represent the consolidated results of the merged group. The 2011 IFRS comparative information represents twelve months of the TSH business with Gold Reef equity accounted for eleven months and consolidated for one month. The 2011 adjusted information presented below reflects adjusted results including the merged group on a like-for-like basis, using management accounts and is presented for information purposes only.

Chief Financial Officer's report continued

Income Statement comparison for the years ended

	31 March 2012 Actual Rm	31 March 2011 Adjusted Rm	31 March 2011 IFRS Rm	% Change on 2011 adjusted	% Change on 2011 IFRS
Income	**9 031**	8 620	6 487	5	39
Gaming win	**6 111**	5 717	3 804	7	61
Revenue					
Rooms	**1 615**	1 626	1 591	(1)	2
Food and beverage	**752**	755	677	–	11
Other	**553**	522	415	6	33
Ebitdar	**3 501**	3 261	2 477	7	41
Gaming	**2 886**	2 617	1 833	10	57
Hotels – South Africa	**512**	560	560	(9)	(9)
– Offshore	**88**	75	75	17	17
Foreign exchange gains/(losses)	**13**	(7)	(7)	*	*
Corporate	**2**	16	16	*	*
Ebitdar Margin	**38.8%**	37.8%	38.2%	1.0pp	0.6pp
Long-term incentives	**(55)**	5	13	*	*
Rentals	**(190)**	(178)	(171)	(7)	(11)
Amortisation and depreciation	**(623)**	(641)	(447)	3	(39)
Exceptional items	**385**	(507)	(420)	*	*
Finance costs (net)	**(420)**	(494)	(391)	15	(7)
Associates and joint ventures	**10**	12	79	(17)	(87)
Tax – normal	**(679)**	(545)	(419)	(25)	(62)
– STC	**(82)**	(28)	(12)	*	*
Non-controlling interests	**(130)**	(137)	(126)	5	(3)
Attributable earnings	**1 717**	748	583	130	195
Adjustments	**(384)**	473	400	*	*
Adjusted earnings	**1 333**	1 221	983	9	36
Weighted no. of shares in issue (m)	**1 097**	1 097	906	–	21
Adjusted HEPS (cents)	**121.5**	111.3	108.5	9	12

* *Variance not meaningful*

Trading performance

Total income of R9.0 billion ended 39% above the prior year, assisted by the inclusion of R2.1 billion incremental income from Gold Reef, and satisfactory organic growth offset by the non-recurrence of World Cup related income. Like-for-like growth in adjusted income was 5%.

Ebitdar at R3.5 billion reflected a 41% increase on the prior year, including additional R0.8 billion Ebitdar from Gold Reef and good organic growth in the current year. Like-for-like Ebitdar (including Gold Reef) is 7% up on the prior period, again impacted by the non-recurrence of World Cup related earnings in hotels. The overall group Ebitdar margin of 38.8% is 0.6pp above the prior year.

The operating cost categories for the year are not comparable to the same period in the prior year as a result of the consolidation of Gold Reef. The group continues to exercise strict cost control and explore avenues for further margin improvement.

Long-term incentives

Long-term incentive charges arise from a marked-to-market move in the liability for the share appreciation bonus plan based on the share price which results in fluctuations in earnings in the income statement. Refer to note 25 of the consolidated annual financial statements on page 91 to page 93 for details of the long-term incentive plans.

Exceptional items and adjustments

Exceptional gains for the year of R385 million (R384 million net of tax) relate mainly to a fair value adjustment to the existing Formula 1 equity investment of R179 million and the release of the contingent purchase consideration for the 2009 acquisition of Suncoast casino minorities of R248 million, offset by investment and loan impairments of R45 million. Exceptional losses for the prior year of R420 million (R400 million net of tax) related mainly to a fair value adjustment to the Gold Reef equity investment of R299 million, Gold Reef merger costs of R93 million and costs for the termination of the Southern Sun Grayston lease of R21 million. Adjustments for the year comprise the exceptional gains or losses net of tax.

Net finance costs

Net finance costs are 7% up on the prior year, notwithstanding the take on of the additional Gold Reef debt, as the cash generated by the group has reduced steady state borrowing levels.

In the absence of any significant acquisitions, finance costs are expected to decrease in the next financial year due to the reduced debt levels.

Share of profit of associates and joint ventures

The group's share of associate and joint venture profits at R10 million for the year ended 31 March 2012 reflected a R69 million decrease as the investment in Gold Reef was equity accounted in the prior year.

Taxation

The effective tax rate for the year at 29.3% is affected by, *inter alia*, the STC impact of R67 million on the final dividend for the year ended 31 March 2011, declared on 19 May 2011, offset by the non-taxable exceptional credits to the income statement in exceptional items. The comparative effective tax rate of 40.6% is due mainly to the large non-deductible exceptional debits to the income statement offset by there being no STC charge in the prior year.

The group's effective tax rate is expected to be higher than the statutory rate as a result of non-deductible expenditure such as casino building depreciation on pre-2008 additions, preference share dividends relating to preference share capital of subsidiaries of the group, as well as STC prior to being replaced by the dividends tax.

Non-controlling interests

The non-controlling interests charge increased by R4 million on the prior year due to the inclusion of the Gold Reef non-controlling interests for a full year, and the 15% increase in the non-controlling interests of Hemingways offset by an additional 16.5% reduction in the non-controlling interests of Suncoast casino.

Earnings

Group adjusted headline earnings for the year at R1.3 billion are 36% above the prior year. In determining the closing and weighted average number of shares for the period and the prior comparative period, the group has used the consideration shares as the appropriate number of shares for calculating the earnings per share, headline earnings per share and adjusted headline earnings per share for TSH and the actual shares in issue post the issue of the consideration shares, excluding treasury shares, for the combined group. Adjusted HEPS is 12% above the prior year despite the effect of the World Cup and the variance in STC as described above.

Cash flow

Cash generated from operations during the year under review was R3.4 billion, an increase of 48% on the prior year as a result of the Gold Reef merger.

Cash flows utilised for investment activities and non-controlling interest transactions of R1.4 billion consisted mainly of maintenance expenditure of R440 million and acquisitions and investments totalling R1.0 billion as detailed in the Chief Executive Officer's review on page 26.

Net interest-bearing debt

Interest-bearing debt net of cash at 31 March 2012 totalled R4.2 billion, which is in line with the 31 March 2011 balance, with R816 million paid in dividends to company and non-controlling shareholders in addition to the investment activities during the year ended 31 March 2012.

The cash holdings at year end of R1.4 billion are retained from operations mainly to settle the R1.0 billion preference shares. The debt service cover ratio at the end of the year is 2.8 times with unutilised net facilities (including available cash on hand) at R2.3 billion. The weighted average number of months to expiry of the debt facilities (excluding 364 day revolving credit facilities) is 47 months.

Interest rate and currency risk management

The group will seek to hedge a higher proportion of debt to lock in the current historically low interest rate environment. In order to limit income statement volatility the group does not normally enter into speculative hedges. As at 31 March 2012, 62% of net debt was hedged through fixed interest rate swaps and other fixed rate instruments.

All debt is Rand denominated with offshore cash held approximately one-third in Euros and two-thirds in US Dollars with limited local currency deposits.

Dividends

A final gross cash dividend of 40 cents per share in respect of the company's year end was declared and the dividend was paid on 11 June 2012. The total STC credits utilised as part of the declaration amounted to R11.5 million and the number of ordinary shares in issue was 1 097 103 626 (excluding treasury shares). Consequently the STC credits utilised per share amounted to 1.0479 cents per share. The dividend was subject to a local dividend withholding tax rate of 15% which resulted in a net dividend to those shareholders who were not exempt from paying dividend tax of 34.15719 cents per share. The company's tax reference number is 9250039717.

The total dividends declared in respect of the 2012 financial year amounted to 60 cents per share which equates to 50% of fully-diluted adjusted headline earnings per share ("HEPS").

Subsequent events

There are no matters or circumstances arising since 31 March 2012, not otherwise dealt within the financial statements, that would materially affect the operations or results of the group.

Rob Huddy
Chief Financial Officer

Operations review

Segmental operational performance

The segmental information relating to the business of the group is set out on page 80 to page 81 of the consolidated annual financial statements. In order to better understand the year's trading, a segmental analysis has been prepared below on a like-for-like basis including Gold Reef for the full year to allow comparability:

	Income		Ebitdar		Ebitdar margin	
	2012 Actual	2011 Adjusted[1]	**2012 Actual**	2011 Adjusted[1]	**2012 Actual**	2011 Adjusted[1]
Year ended 31 March	**Rm**	Rm	**Rm**	Rm	**%**	%
Montecasino	**2 107**	1 964	**901**	790	**42.8**	40.2
Suncoast	**1 313**	1 261	**634**	607	**48.3**	48.1
Gold Reef City	**1 162**	1 083	**462**	362	**39.8**	33.4
Silverstar	**557**	597	**207**	204	**37.2**	34.2
The Ridge	**357**	332	**171**	160	**47.9**	48.2
Emnotweni	**292**	268	**130**	114	**44.5**	42.5
Golden Horse	**287**	260	**144**	123	**50.2**	47.3
Hemingways	**285**	269	**122**	116	**42.8**	43.1
Garden Route	**155**	150	**70**	66	**45.2**	44.0
Goldfields	**131**	123	**59**	54	**45.0**	43.9
Blackrock	**123**	108	**48**	38	**39.0**	35.2
The Caledon	**123**	120	**36**	34	**29.3**	28.3
Mykonos	**120**	119	**52**	51	**43.3**	42.9
Other gaming operations	**101**	109	**(150)**	(102)	*	*
Total gaming operations	**7 113**	6 763	**2 886**	2 617	**40.6**	38.7
South African hotels division[2]	**1 625**	1 617	**512**	560	**31.5**	34.6
Offshore hotels division	**324**	271	**101**	68	**31.2**	24.9
Pre-foreign exchange			**88**	*75*	***27.2***	*27.6*
Foreign exchange			**13**	*(7)*		
Corporate	**(31)**	(31)	**2**	16	*	*
Group	**9 031**	8 620	**3 501**	3 261	**38.8**	37.8

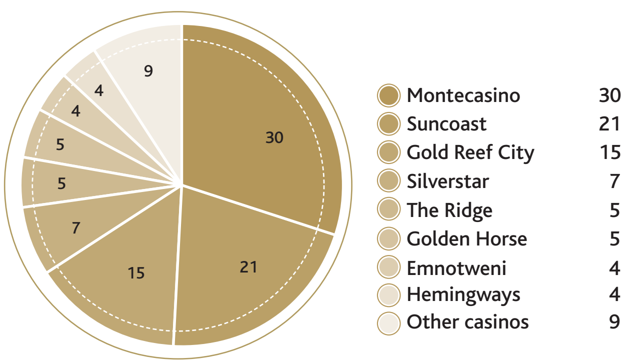
Notes: All casino units and other gaming operations are reported pre-internal gaming management fees

[1] Adjusted reflects Gold Reef for a full twelve months for the year ended 31 March 2011 based on management accounts

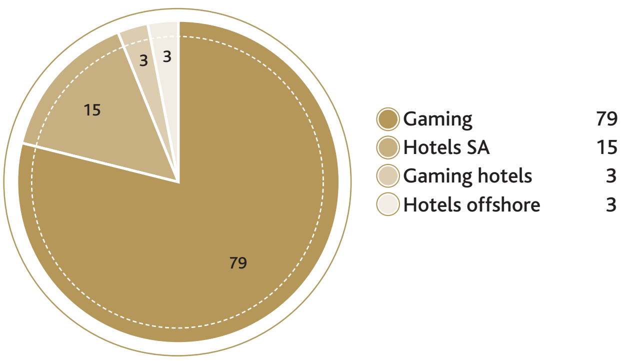
[2] Includes R31 million (2011: R31 million) inter-group management fees

** Margin not meaningful*

Gaming F'12 Ebitdar by property (%)



Group F'12 Ebitdar by source (%)



Gaming experienced revenue growth throughout the financial year with accelerated revenue growth across many of the group's casinos during the second six months. Hotels, which benefited from the World Cup in June and July 2010, reflected revenues in line with the comparative period for the full year, but have shown stronger revenue growth driven by increased occupancies during the second half of the year.

Tsogo Sun Gaming

Gauteng recorded provincial growth in gaming win of 5.5% for the year over the prior period. Montecasino and Gold Reef City casinos recorded gaming win growth of 8.4% and 11.3% respectively for the year, while Silverstar casino recorded a decline of 1.1% for the same period. The results of Montecasino and Gold Reef City casino are particularly satisfying as these units experienced good footfall during the prior year World Cup. Good cost control resulted in improved Ebitdar margins being recorded at all three units.

KwaZulu-Natal provincial gaming win grew by 7.8% for the year with the Suncoast Casino and Entertainment World reflecting growth of 5.8% in gaming win, and Golden Horse casino and Blackrock casino reflecting growth of 11.6% and 13.7% respectively, showing strong demand in their relevant catchment areas. Improved Ebitdar margins were also recorded at all three units.

Mpumalanga reported growth in provincial gaming win of 9.3% for the year. The Ridge casino in Emalahleni and the Emnotweni casino in Nelspruit reported growth in gaming win of 7.5% and 8.8% respectively for the year. Ebitdar margin improvement was achieved at Emnotweni, with The Ridge complex experiencing a dilution in margin as a result of improved lower margin hotel trading.

The Eastern Cape provincial gaming win grew by 5.3% for the year. Hemingways reported growth in gaming win of 7.2%, despite the impact of the redevelopment related construction activities, and continues to benefit from the attractions associated with Hemingways Mall which opened in 2009. Ebitdar margin declined marginally on the prior year.

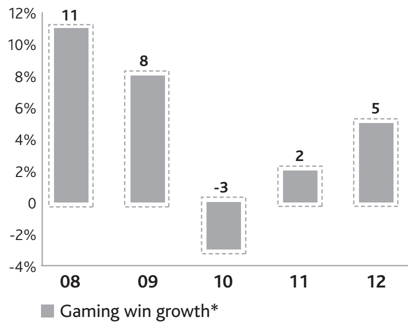
The Western Cape reported growth in provincial gaming win of 6.7% for the year. The Caledon Hotel and Spa, Garden Route casino in Mossel Bay and the Mykonos casino in Langebaan reported growth of 7.6%, 5.0% and 2.5% respectively for the year despite the poor economic fundamentals, particularly in the leisure-based coastal areas outside of the larger Cape Metropole. Improved Ebitdar margins were recorded at all three units.

The Goldfields casino in the Free State performed well with growth in gaming win of 7.9% on the prior year and an improvement in the Ebitdar margin.

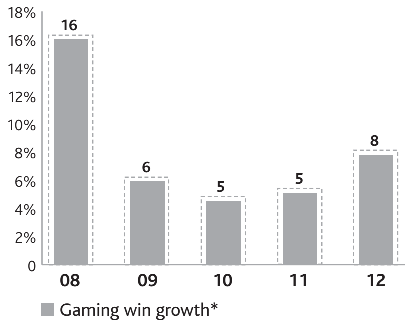
Other gaming operations consisting of the Sandton Convention Centre, the StayEasy Century City hotel and head office costs, reflected a loss of R150 million, R77 million adverse to the prior period mainly due to non-repeating World Cup related trading at the Sandton Convention Centre, the inclusion of Gold Reef central costs and the centralisation of certain service departments.

Overall revenue for gaming operations increased 5% on the prior year to R7.1 billion. Operating costs were well controlled with a 2% increase on the prior year, despite increased regulated utility costs and property rates, partially due to savings achieved through the merger. Ebitdar increased 10% to R2.9 billion at a margin of 40.6%.

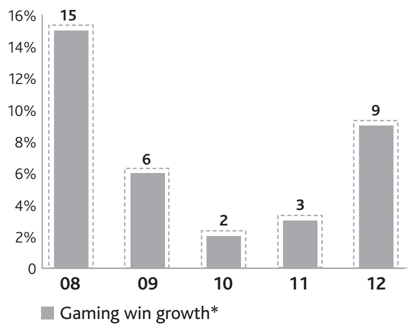
Gauteng



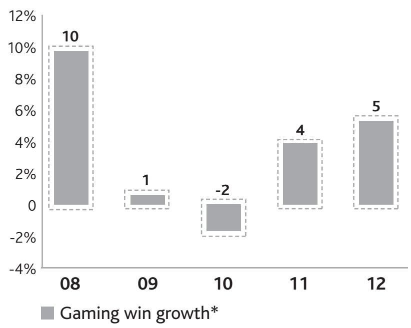
KwaZulu-Natal



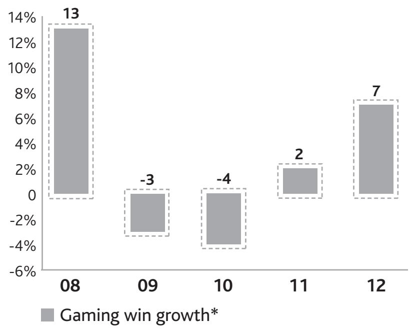
Mpumalanga



Eastern Cape



Western Cape



*Based on gaming board statistics

Operations review continued

Tsogo Sun Hotels

The hotel industry in South Africa continued to experience the dual impact of depressed demand and over supply, with overall industry occupancies of 57% for the year under review. The group's hotels were likewise affected. However, as a result of the strong sales and distribution channels and the superior product and service quality available within the group, a significant occupancy and rate premium is being achieved in the segments in which the group operates. Showing some recovery, the group's systemwide occupancies in South Africa improved to 60.9% (2011: 58.4%), as rooms sold increased by 5% despite the closure of Southern Sun Grayston in December 2011. Average room rates in the South African operations declined by 7% to R775, with virtually all the decline attributable to the higher achieved rates during the World Cup in the prior year.

Overall revenue for the South African hotels division is flat on the prior year at R1.6 billion. Operating costs were well controlled with a 5% increase on the prior year, despite increased regulated utility costs and property rates offset by a saving in World Cup specific related costs incurred in the prior year. Ebitdar declined 9% to R512 million at a margin of 31.5%.

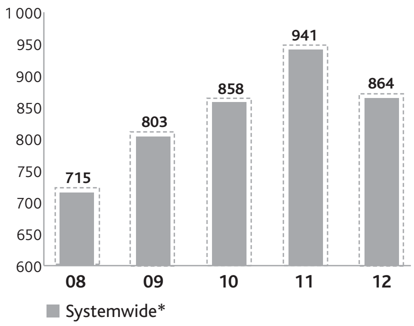
The offshore division of hotels achieved total revenue of R324 million during the year, representing a 20% improvement on the prior year, assisted by the inclusion of Southern Sun Nairobi as a leased hotel (previously managed) with effect from 1 August 2010. Ebitdar (pre-foreign exchange gains) of R88 million was achieved. The Rand weakness in the second half of the year positively impacted both the translation of USD and Euro earnings streams of the offshore hotels as well as resulting in a R13 million foreign exchange gain on the translation of offshore monetary items.

Combined South African and offshore hotel trading statistics, reflecting the Tsogo Sun group-owned hotels and excluding hotels managed on behalf of third parties, are as follows:

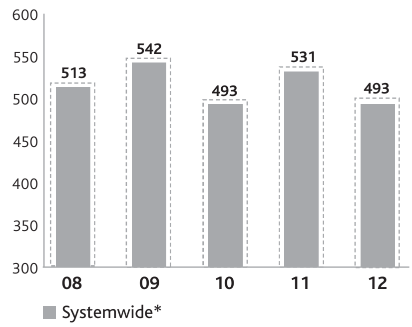
	31 March 2012	31 March 2011
Occupancy (%)	**61.4**	58.4
Average room rate (R)	**802**	855
Revpar (R)	**492**	499
Rooms available ('000)	**3 281**	3 186
Rooms sold ('000)	**2 014**	1 860
Rooms revenue (Rm)	**1 615**	1 591

The impact of the acquisition of Hotel Formula 1 at year end will be to dilute average room rates for owned hotels, but will have no impact on the systemwide statistics which have always included Formula 1.

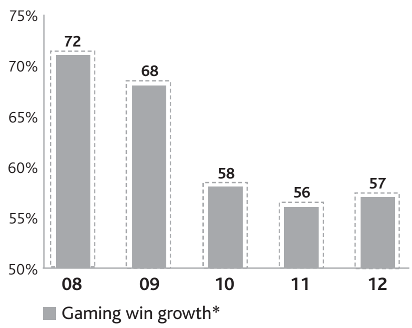
SA Average Rate



SA Revpar



SA Occupancy



**Based on STR Global statistics*

Regulation and transformation

Regulatory compliance

The South African trading environment is highly regulated and compliance with the regulations is critical to our licence to trade.

The casino operations are regulated by the provincial gambling boards and, from an oversight perspective by the National Gambling Board. The standards of regulation within the industry are in line with global best practice.

The broader trading environment is becoming increasingly complex and is governed by legislation, much of it relatively new, relating to competition, customer protection, privacy, environmental, health and safety, money laundering and labour issues. A number of statutes provide for monitoring and enforcement by regulatory bodies.

Gaming regulation compliance, which is of particular importance in retaining casino licences, is achieved through the implementation of internal control procedures and compliance policies, corporate and casino unit compliance committees, interventions with regulators and law enforcement agencies, centralised specialist understanding of the interpretation and application of legislation, internal and external compliance audits and through creating a compliance culture through training.

Tsogo Sun ensures that the group complies with all applicable legislation in all countries it operates in and, where practical, builds constructive relationships with the regulatory bodies. There were no significant breaches of any regulations during the year.

Transformation

Tsogo Sun continues to be a pioneer and leader in the empowerment of previously disadvantaged people, businesses and communities in South Africa. Tsogo Sun currently holds a Level 2 BBBEE Contributor Status. The group is measured against the Department of Trade and Industry's ("DTI") generic code. The casinos are also individually measured against the same code and Tsogo Sun hotels is measured against the tourism scorecard. The formal verification exercise is performed by Empowerdex and covers the year ended 31 March and the results are as follows:

	Target score	**2012**	2011
Ownership	23	**23.00**	23.00
Management control	10	**4.97**	4.70
Employment equity	15	**11.03**	11.74
Skills development	15	**11.50**	12.68
Preferential procurement	20	**18.06**	17.44
Enterprise development	15	**15.00**	15.00
Socio-economic development	5	**5.00**	5.00
Overall	100	**88.57**	89.56
Rating level		**2**	2

Despite the group being measured against the higher and more stringent ten-year DTI BBBEE targets for the first time, a satisfactory overall result has been achieved. The group once again received the maximum available points for Ownership, Enterprise development and Socio-economic development. Ownership is discussed in more detail in the Organisational Overview on page 6. Enterprise development and Socio-economic development are discussed in more detail in Community on page 34 to page 35. Management control improved slightly on the prior year mainly at group executive level. Employment equity reflected a slight decrease on the prior year due to the higher targets. Skills development reduced on the prior year due mainly to a reduction in spend on black disabled staff. Management control, employment equity and skills development are discussed in more detail under Employees on page 37 to page 38. Preferential Procurement increased slightly on the prior year and is discussed under Business Partners on page 39.

Tsogo Sun operates a BBBEE Council as one of the group's governance structures whose purpose is to ensure that the priority of empowerment for previously disadvantaged individuals is consistently managed and monitored. The BBBEE Council sets BBBEE strategy and direction for the group. It ensures that the group is compliant with legislation and it monitors group-wide performance measured against the DTI's generic scorecard. It sets internal targets and oversees the annual ratings process for the group. The quarterly BBBEE Council meetings are chaired by the Group Human Resources Director and are attended by the Chief Executive Officer and the Managing Directors of hotels and gaming.

The group has been recognised for the following empowerment awards during the year:

- Tsogo Sun group was ranked as number 8 in the overall Top 10 Best Employers in South Africa for 2010/2011 by the CRF Institute in its annual Best Employers awards. Tsogo Sun group is number one in the hotels and gaming sector, number four Best Large-Sized Employer and number five Best Empowered Employer;
- Tsogo Sun hotels received the 2011 Metropolitan Oliver Empowerment Award for the Top Empowered SA Company in the travel, leisure and entertainment category. The award recognises successful implementation of strategic BBBEE policies and internal measurement mechanisms as well as effective transformation policies together with financial performance based on turnover, growth, profitability and productivity; and
- Tsogo Sun hotels won the award for the Most Empowered Tourism Business at the Imvelo Awards for Responsible Tourism 2011. The award recognises the extent to which the company addresses the issues of empowerment and contributes to a globally competitive, demographically representative tourism industry.

Industry bodies

Tsogo Sun participates actively in the formation and governance of industry bodies such as the Tourism Business Council of South Africa, the South African Tourism Board and CASA through the provision of time, effort and intellectual contributions from management.

Community

Tsogo Sun is committed to the upliftment and development of local communities. To this end, the group sets aside a portion of its profits for initiatives aimed at improving and developing the communities within which it operates. We have further committed to leveraging our resources, experience and geographic spread within the hospitality and entertainment industry to provide the foundation for initiatives that achieve lasting results in the communities where we are present.

As a catalyst for change, we have teamed up with partners in all sectors of industry, government and society to create programmes that are relevant, well planned and implemented to foster the growth of educated, self-sufficient, proud and ambitious communities. These efforts are effective from 2012, being more comprehensively managed under the SunCares brand, which encompasses initiatives within the CSI, enterprise/entrepreneur development and environmental priorities of the group.

Responsible gaming

Tsogo Sun acknowledges that gambling can be an issue of concern for some people in communities where we operate. We engage these concerns by educating our employees and customers about responsible gaming and seek to avoid the misuse of gambling. Tsogo Sun contributes to and actively promotes the National Responsible Gambling Programme ("NRGP").

To ensure an environment of responsible gambling, close attention is paid to the exclusion of:

- under-aged persons from gambling areas in accordance with legislation;
- visibly intoxicated people from gambling, according to legislation;
- problem gamblers from gambling areas – by executing Tsogo Sun's self-exclusion policies;
- money lenders from gambling areas; and
- criminal elements and persons prone to bad behaviour.

The group monitors and manages the number of complaints and code violations.

Corporate social investment

During the year ended 31 March 2012, the group's verified spend on socio-economic development related to Black Economic Empowerment amounted to R36 million which is the equivalent of 1.93% of net profit after tax and represents 0.93% more than the DTI's target for this element of the BBBEE scorecard.

The group contributed a combined total of R53 million to support non-profit organisations in the education, health, welfare and environment categories. In addition, in accordance with the group's bid commitments, the casinos continue to invest in initiatives designed to uplift people in under-privileged communities situated in close proximity to the properties. CSI highlights during the year include:

- The World Chef's Tour Against Hunger: the value of accommodation donated amounted to over R2 million. In total, more than R8 million was raised through the tour, a significant portion of which was donated to the African Children's Feeding Scheme;
- Southern Sun Children's Fund ("SSCF") supported its four major beneficiaries – Walter Sisulu Paediatric Cardiac Foundation, Reach for a Dream, CANSA TLC and the Kidney Beanz Trust, donating a total of R0.7 million to the beneficiaries during the year;
- Golden Horse casino's on site science museum and computer centre, the Olwazini Discovery Centre, attracts 30 000 school children per annum. The computer centre facilitated computer literacy courses for 1 500 learners and adults this year;
- Nelson Mandela Day 2011: staff across the country volunteered at welfare organisations and contributed towards community initiatives. A total of 46 projects received donations of food, clothing, bedding and other necessities, and employees assisted with daily routines and special events at childcare organisations for orphans and vulnerable children ("OVC"). Parties were hosted for OVC who had not been to hotels before; and
- SA Rugby Legends Iqhawe Programme received accommodation to the value of R1.3 million in support of its skills and leadership programme for young black South Africans.

Other organisations that received assistance included: CIDA City Campus, Nurturing Orphans of AIDS for Humanity ("NOAH"), Cotlands, Little Eden, World Wildlife Fund ("WWF"), Endangered Wildlife Trust, Business Against Crime, Foodbank SA, Edupeg and Education Alive.

The group reviewed its CSI strategy during the year and concluded that by supporting fewer strategically focused programmes, it would create greater beneficial impact on communities. As a result, in future 80% of the group's CSI budget will be channelled towards supporting disadvantaged youth (ages 1 to 21 years) in underprivileged communities in South Africa through the SunCares Sports Development Academy and the SunCares Arts Academy. Both programmes have already commenced and are designed to support the broader schooling curriculum and, in particular, the need for extracurricular activity as outlined by the South African Department of Education. The remaining 20% of the group's CSI budget will continue to be channelled to non-profit organisations outlined in the above categories.

SunCares Sports Development Academy

In the belief that sport is a catalyst for the development of national unity and an important aspect of the holistic school experience of young learners, during the year Tsogo Sun partnered with government schools in local communities for the development of various sports programmes, including soccer, rugby and cricket.

Designed to deliver on government's call to introduce sport back into the schooling curriculum, the SunCares Sports Development Academy uses sport as a medium to deliver life-skills, leadership, and healthcare training, as well as to reinforce the importance of education to young learners with the ultimate goal of nurturing a child's unique leadership qualities. 1 662 children, 100 coaches and referees and 46 schools are involved in the SunCares Sports Development Academy.

SunCares Arts Academy

This new initiative has been designed to revitalise the local theatre industry with the ultimate goal of ensuring the preservation and enhancement of performing arts in South Africa. Making use of the Montecasino Teatro and the Gold Reef City Lyric Theatre as platforms to nurture and showcase local talent, the SunCares Arts Academy commenced with programmes in Diepsloot and southern Johannesburg. The programmes offer training in all disciplines within theatrical arts, including theatre, drama, singing, musical instruments, poetry, creative arts and literature. 120 children are presently benefitting from being part of the SunCares Arts Academy.

The Apartheid Museum Partnership

The group contributed R5 million per annum to the upkeep of the Apartheid Museum which is situated on the greater Gold Reef City precinct. In addition, the group takes an active role on the board and assists with the operation of the museum. The Apartheid Museum illustrates the rise and fall of apartheid. It is a beacon of hope showing the world how South Africa is coming to terms with its oppressive past and working towards a future that all South Africans can call their own.

Enterprise development

Tsogo Sun is committed to the development of small businesses. The group's verified spend on Enterprise Development for the year ended 31 March 2012 is R85 million or 4.61% of net profit after tax, which is 1.61% above the DTI's BBBEE target.

The enterprise development projects supported by the group include various black-owned tenants at the group's casinos such as Skoobs at Montecasino and John Dory's at Suncoast casino. Our tenant philosophy is closely tied to enterprise development and through the provision of preferential rental fees and start-up allowances where warranted, we provide support to tenants that are black-owned or have a majority black shareholding in their businesses. The group supports a range of black-owned small, medium and micro enterprises ("SMMEs") throughout the organisation, such as Norman's Transport in the Eastern Cape and Khayelitsha Cookies in the Western Cape.

In addition, the group has a flagship entrepreneurial development programme called Book-a-Guesthouse. This successful programme is endorsed by government and regional tourism agencies. It supports emerging entrepreneurs, particularly women, in the hospitality industry. Book-A-Guesthouse provides assistance by developing the owners of guesthouses and bed and breakfasts ("B&Bs") through skills transfer, mentorship and operational and marketing support.

Over the past seven years, Book-A-Guesthouse has grown from five properties in Soweto in 2005 to include 60 establishments in four provinces in South Africa (Gauteng, Limpopo, KwaZulu-Natal and the Western Cape). In the past year, 17 new guesthouses registered with the programme. A structured three-year model is used to ensure that newly enrolled members receive the support they need during the crucial early stages of business development. The aim is that by the end of the third year, the entrepreneurs' independent guesthouses are well-run and well-managed sustainable businesses.

Customers

Product relevance

In order for the group to deliver the hospitality, gaming, dining and entertainment experiences that our customers want, it is important that our physical product and service delivery are relevant to our customers at appropriate price points, are consistent in standard and delivery, provide the variety of experiences that will encourage repeat visits and make it easy for our customers to do business with the group.

Slot machines are replaced on an approximate seven year cycle and the current average age of slot machines is 4.6 years. Many of these machines however have been upgraded or have had game changes to ensure they remain relevant. Physical standards at hotel properties are evaluated through hotel property audits. There are no material deviations from the relevant brand standards.

Customer satisfaction

Meeting the needs of our customers and delivering consistent experiences is key to our success and sustainability. It is the experiences that our customers enjoy that create loyalty to our brands and properties.

Tsogo Sun hotels need to ensure that the basic services are consistently delivered and to measure if the service creates memorable experiences for our guests. Measurement is carried out through audits to check basic standards, post-stay surveys to check on brand delivery and in-hotel experiential surveys with a sample of guests at all touch points to measure whether we are meeting the expectations of our guests. The annual average results for eGuestserv and Memorable Experiences surveys for the year are 86% and 84% respectively. The results reflect a high level of customer satisfaction and comments received through the surveys assist us to understand what our customers want and to track changing customer preferences. Additional valuable customer feedback is received from public sources such as travel websites.

Customer loyalty

Tsogo Sun operates customer loyalty programmes in both the gaming and hotel divisions. The programmes reward our frequent customers with the status, benefits and recognition they deserve.

Tsogo Sun gaming operates two loyalty programmes: Club Festival for the historical Tsogo Sun properties and Strike it Rich for the historical Gold Reef properties. Integration of the two programmes is a medium-term strategy which is in progress. There were 387 000 active loyalty programme members during the year. The contribution to total gaming revenue for the year from active members of the loyalty programmes (aligned as per Club Festival tiers for comparability) is as follows:

Tsogo Sun gaming – Club Festival and Strike it Rich segmental analysis

	% of active customers	**2012 contribution**	2011 contribution
Platinum [1]	7%	**40%**	38%
Gold [2]	22%	**16%**	15%
Red [3]	71%	**6%**	7%
	100%	**62%**	60%

(1) Includes Club Festival Platinum and Strike it Rich Black Diamond and Gold
(2) Includes Club Festival Gold and Strike it Rich Silver
(3) Includes Club Festival Red and Strike it Rich Bronze

Tsogo Sun hotels operate the Frequent Guest loyalty programme. There were 69 000 active loyalty programme members during the year. The contribution to total hotel revenue for the year from active members of the loyalty programme is as follows:

Tsogo Sun hotels – Frequent Guest segmental analysis

	% of active customers	**2012 contribution***	2011 contribution*
President	3	**4%**	3%
Director	14	**7%**	6%
Executive preferred	30	**6%**	5%
Executive	53	**9%**	6%
	100	**26%**	20%

** Systemwide*

Safety and hygiene

Tsogo Sun recognises that the health, safety and well-being of our guests, patrons, customers and staff are of paramount importance. Life safety equipment and procedures are maintained at high levels of quality and compliance at all our facilities. Compliance with best practice in life safety, health, hygiene and fire protection is a non-negotiable element of our management systems.

Each property undergoes rigorous safety inspections as part of the Organisational Resilience Management Standard audit process, and deviations from the agreed standards, as well as incidents and events are reported and resolved.

All Tsogo Sun hotel and restaurant properties, including outsourced restaurants, undergo an independent audit every second or third month, which covers food safety practices and compliance to the group standard as well as legislated elements. Temperature control, personal hygiene, good manufacturing practices, product traceability and storage, cleaning programmes and pest control are included. Audits are strictly unannounced and include surface swabs, hand swabs and food samples which are selected at random during the audits and assessed for microbiological quality. No significant issues were noted.

Employees

Human capital management

We believe that the sustainable growth of our group depends as much on our people as it does on our operational expertise. Our employment policies are designed to empower and develop employees, and create an environment in which each employee can perform and grow to his or her fullest potential regardless of race, gender or disability. We also strive to attract and retain the highest calibre staff while at the same time redressing historical imbalances, where they may exist.

Job creation and employee stability

The group contributes no less than 12 800 direct jobs and 18 000 combined direct and indirect jobs (including contract staff employed by third party service providers) within the communities in which our operations are situated.

Staff resignations at 9.8% remain low for the hospitality industry and are testimony to the favourable employee engagement and values-based leadership process within the group.

Employee development

Training spend for the year at R46 million, which is at 2.78% of payroll, has increased group-wide with skills development being a focus area of the group. The group spent R42 million on training and development initiatives provided to its black staff during the year which is 2.54% of payroll in accordance with the DTI's BBBEE targets.

Employee engagement

In the past few years, Tsogo Sun introduced two employment engagement programmes designed to drive employees towards a rational, emotional and intellectual commitment to the organisation. The employee engagement programmes namely "Siyakhanya" in Tsogo Sun hotels and the "Tsogo Way" in Tsogo Sun gaming have been successful in aligning employee behaviour with the brand promise through optimising the potential and capacity of employees to deliver distinctive and compelling customer experiences. Employee engagement scores in the hotel division, as per the employee surveys, have improved over time from 63% in 2008 to 73% in 2011.

Employee wellness

Tsogo Sun is committed to the wellness of our employees and provides services to our employees through employee clinics in Tsogo Sun gaming, an employee assistance helpline, wellness days and executive medicals. During the year a total of 48 000 primary healthcare consultations were provided at our employee clinics located at our casino complexes and this has contributed positively to the management of absenteeism within the group.

As part of the wellness programme HIV/AIDS has been a focus area for many years through awareness campaigns, voluntary testing, counselling and clinical management, which has positively contributed to a lower prevalence rate than anticipated.

Health and safety

The gaming and hospitality industries are safe environments relative to many other industries. Tsogo Sun properties undergo rigorous safety inspections as part of the Organisational Resilience Management Standard audit process, and deviations from the agreed standards, as well as incidents and events, are reported and resolved.

No fatalities of employees or contractors as a result of health and safety incidents occurred at any of our properties. The group maintained an average lost time injury frequency rate of 0.37 which is below our target of 1.0. This equates to the number of injuries which rendered an employee unfit for duty for one shift or longer per 200 000 hours worked.

Employees continued

Employment equity

The principles of empowerment and diversity are entrenched into the ethos of Tsogo Sun. The table below includes South Africa only and excludes contract staff employed by third party service providers.

	South Africa Male				South Africa Female				Foreign nationals		
Employees	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	Total
Permanent	**3 438**	**482**	**537**	**707**	**3 537**	**615**	**379**	**693**	**38**	**26**	**10 452**
Executives	5	1	4	45	3	3	–	8	–	–	69
Management	382	99	176	404	281	88	102	333	10	4	1 879
Supervisors and skilled	1 187	207	174	164	1 120	294	152	254	18	15	3 585
Other employees	1 864	175	183	94	2 133	230	125	98	10	7	4 919
Non-permanent	**994**	**23**	**49**	**52**	**1 174**	**44**	**39**	**20**	**17**	**7**	**2 419**
Supervisors and skilled	373	7	29	10	415	19	23	5	5	1	887
Other employees	621	16	20	42	759	25	16	15	12	6	1 532
Total 2012	**4 432**	**505**	**586**	**759**	**4 711**	**659**	**418**	**713**	**55**	**33**	**12 871**
Total 2011	4 602	463	574	772	4 659	556	406	720	55	22	12 829

Employment numbers have remained fairly static year on year with a slight increase in headcount despite the closure of Southern Sun Grayston during the year. Female employees increased by 1% to 50.8% of the workforce.

We ensure that our workforce reflects our focused employment equity philosophy. In this regard, in accordance with our verified employment equity results, presently black representation at senior management level is 34.48%, at middle management level it is 59.28% and at junior management level it is 85.25%. The representation of black employees throughout the group is currently 87.65%, which is slightly below the updated economically active population ("EAP") percentage of 88.34%.

The main challenges in employment equity remain in the areas of executive, senior management and black disabled employees. The relaunch of the Tsogo Sun Academy in 2013 will continue to assist in facilitating and fast-tracking the development of our employees' skills enabling our development pipeline. The group is currently integrating the Tsogo Sun Academy between Tsogo Sun hotels and Tsogo Sun gaming. The purpose of the academy is to streamline the delivery, efficiency and effectiveness of learning and development programmes to employees, as well as to empower the group's workforce with relevant learning and development opportunities, enabling a sustainable and prolonged career within the industry. The Tsogo Sun Academy has partnered with several highly respected tertiary education partners to deliver management development programmes.

Unions

Tsogo Sun recognises the right to freedom of association of employees and we recognise that collective bargaining forms an integral part of labour relations. Tsogo Sun has recognition agreements with five unions and 3 675 of our employees are union members.

We endeavour to maintain transparent and constructive relations with our employees and to encourage a culture of engagement within the business. In addition, the consistent approach we have applied to determining annual increases over many years, including during times of economic downturn, has resulted in a low level of industrial action over the past decade. A strike was, however, experienced at Montecasino and Hemingways during October and November 2011, which resulted in the loss of 7 678 man days and pay. Little customer impact was experienced and the company position was sustained with a return to work on 15 November 2011. Disciplinary action arising from staff misconduct during the strike resulted in the dismissal of 106 employees.

Business partners

Tenants

The delivery of quality hospitality, gaming, dining and entertainment experiences is key to retaining footfall at our properties and satisfying our customers' diverse requirements. The delivery of these experiences is through a combination of owned and outsourced businesses to provide our customers with a range of differentiated products and services. Across Tsogo Sun's gaming properties we have in excess of 230 outsourced outlets that our tenanting partners operate. There are an additional 20 food and beverage tenants at our hotel properties.

Tenanting is a core focus within the group to ensure that our consumers have access to the best restaurant and entertainment related outlets. During the past year the group created a strategic real estate department to manage this critical element of our business. Our philosophy with regards to selecting tenanting partners is centred on owner-run outlets that will deliver the experiences that our local communities require at appropriate price points.

In addition to the retail tenanting the group also owns 29 000m^2 of office space which it partially occupies and rents to third parties.

Suppliers

The group has developed long-term, mutually beneficial relationships with our suppliers of goods and services. Through these supplier relationships many more indirect jobs are created and wealth is generated in the economy. A growing portion of our procurement is centrally managed which allows for enhanced consistency in standards and pricing and closer relationships with our suppliers. We ensure that our hotels and casinos procure products from vendors who are located in their areas, where practical.

Tsogo Sun is committed to encouraging diversity within its commercial associations, particularly through the involvement of historically disadvantaged persons and local businesses where it operates. The group supports black businesses in South Africa through a focused procurement strategy. Verified total procurement spend on black economically empowered businesses amounted to R2.7 billion during the year. The group's BBBEE score for Preferential Procurement is 18.06%. Procurement from black women-owned businesses and further opportunities to establish and support enterprise development initiatives through procurement are focus areas of the group.

An additional procurement consideration is the environmental performance of our suppliers which is taken into account as part of our procurement criteria when selecting suppliers.

Owners

The group leases hotel properties and manages hotel businesses on behalf of third party owners where it is not possible to own the property or the business. The most significant relationship is with Liberty Properties for whom Tsogo Sun manages nine hotel properties and with whom Tsogo Sun jointly owns an additional three hotel properties and leases one hotel property and the Sandton Convention Centre. Most of these lease and management contracts have been in place for many years and the group values the long-term relationships that have been built. The relationships are mutually beneficial with financial returns and access to additional properties for Tsogo Sun, and enhanced returns to the owners through our skills and distribution.

Environment

While our main business activities pose minimal risk to the environment, environmental management practices have been integrated as part of our operations. We have made the commitment to introduce initiatives that reduce the impact our business has on the environment and to encourage our guests to embrace greener behaviour for the well-being of the environment.

To ensure the targets of our environmental programme are met, we have long-term partnerships in place with the Heritage group and Green Globe, and have developed property-specific environmental management systems at all of our casinos and hotels, aimed specifically at energy, water, waste management and responsible procurement. Our employees are informed of the group's policies governing these areas and are trained on their responsibilities in this regard.

There were no significant environmental incidents during the year and the group received no fines or penalties for any environmental transgressions.

Objectives

Our efforts to manage our business sustainably serves the interests of our business and the community and in achieving this, we shall:

- ensure that at all times, we identify, evaluate and comply with local, regional or national environmental laws and regulations applicable to our operations within the areas where we conduct business;
- continually evaluate and manage our environmental risks, targets and objectives;
- actively seek to minimise pollution, emissions and effluents emanating from our operations;
- work towards minimising waste by reducing, reusing and recycling programmes and adopting a 'zero waste' policy;
- strive to reduce consumption of natural resources by the responsible use of energy, gas and water and the identification and implementation of sustainable energy solutions;
- manage biodiversity through the protection of flora, fauna and land associated with, or impacted by, our operations;
- communicate our policies and achievements openly and transparently to our stakeholders;
- collaborate with our suppliers and business partners to actively reduce the environmental impact of our business activities;
- continually improve and innovate on our environmental performance standards;
- report annually on our environmental performance; and
- provide support for the sustainable development of our communities.

Targets

All of our properties have achieved a minimum Heritage silver standard, with 26% achieving a gold standard and 3% achieving a platinum standard. Tsogo Sun has set a target of Heritage Gold standard for all properties by the end of the 2013 financial year. Once this target has been achieved, the group will be in a position to report independently verifiable consumption data, as the operational standards for environmental performance measurement are a requirement for this classification.

During the 2013 financial year a climate change adaptation and mitigation strategy will be rolled out across all operations. This, together with improved resource consumption data, will provide a sound basis for more accurate and verifiable monitoring of environmental performance in general.

Energy

In 2010 the group embarked on a project to replace all the element water heating systems with heat pump technologies. This project was completed by the end of 2011 and has resulted in a 60% reduction in electricity consumption for hot water generation. It is estimated that the carbon footprint reduction due to this project alone is 7 500 tons of CO_2 per annum.

The group has to date saved 19 million kWh of energy which represents a saving of 10.8% through the installation of heat pumps and energy efficient lighting at all gaming and hotel properties. Combined initiatives in Tsogo Sun hotels so far have resulted in a 21% reduction in energy usage since 2006.

Water

Water conservation and reduction measures have been implemented in many properties, but the collation and verification of this and other performance data requires additional effort before accurate performance data can be reported. This will be addressed in meeting our target for the coming year of achieving Heritage Gold certification at all properties.

Waste

Progress has been made in the challenging area of waste management. Southern Sun Waterfront was recognised in the Imvelo Awards for its 85% recycling levels in 2011 and the lessons learnt at this property are being integrated with existing waste management programmes at properties across the group.

Biodiversity

The Montecasino bird gardens host one of the world's largest private collections of South African cycads built up over a period of 35 years by a world renowned cycad specialist. The collection showcases 37 different species, some of which are exceptionally rare. There are 322 cycads in total, a large number of which are fully mature.

The bird gardens are also home to 188 species of birds, 16 species of mammals, 45 species of reptiles, 12 species of amphibians and 6 species of arachnida. We are part of the Mabula Ground Hornbill Project and hold two of the three breeding pairs in captivity in South Africa. The bird gardens also serve an environmental education purpose with 145 000 visitors per annum.

GOVERNANCE AND REMUNERATION

Ethical conduct, good corporate governance, risk governance and fair remuneration are fundamental to the way we manage our business. Our stakeholders' interests are balanced against effective risk management and our obligations to ensure ethical management and responsible control.

Ethics

The group has a code of conduct which underpins its business practices. All directors, officers and staff are expected to adhere to this code. It provides guidance and clarification on matters such as conflicts of interests, acceptance and giving of donations and gifts, the compliance with laws and the dissemination of group confidential information. In line with the principles in this code, it is expected of all directors, managers and employees to be accountable for their actions and act in a manner that will position the group as being:

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

The group also utilises an outsourced, independently operated ethics or whistle-blowing fraud line operated by Deloitte's Tip-offs Anonymous. Matters that are reported through this fraud line, on an anonymous basis by staff or suppliers, are investigated and reported at the relevant audit and risk forums, as well as the audit and risk committee. Depending on the nature of the reports, relevant matters are reported to the respective law enforcement authorities. There were no material incidents of fraud or corruption during the year.

Corporate governance

The board is committed to best-practice corporate governance principles as contained in King III. The board monitors compliance to ensure ongoing improvement of operational and corporate practices and that the affairs of the group are conducted with transparency and integrity.

The board commissioned a King III gap analysis to identify areas of improvement and this gap analysis is reviewed every six months. Alternatives to the King III recommendations can be applied to further the best interests of the company, as long as the overarching principles of good corporate governance are achieved.

The board applied the principles as per the recommendations contained in King III, except for the following areas where we apply King III differently:

Principle/recommendation	Explanation
The board should elect a Chairman of the board who is an independent non-executive director.	The majority shareholders exercised their prerogative to appoint Mr JA Copelyn as the Chairman, representing their interests. As a compensating control, a lead independent director was appointed, namely Mr RG Tomlinson.
The board should comprise a balance of power with a majority of non-executive directors. The majority of non-executive directors should be independent.	The majority shareholders exercised their prerogative to appoint the directors representing their interests. The majority of the directors are non-executive with three of the eleven non-executive directors being independent.
The induction of and ongoing training of directors should be conducted through formal processes.	The board has a stable and long-term membership with low director turnover. Induction and training are conducted as required. The majority of the directors have experience in serving on other JSE listed boards.
The evaluation of the board, its committees and the individual directors should be performed every year.	There is no formalised internal evaluation process. The majority shareholders appoint the board and its committees.

The board

Board charter

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

Board composition

The board currently comprises the Chairman (Mr JA Copelyn), three independent Non-executive Directors (Mr RG Tomlinson – lead independent, Mr JG Ngcobo and Mr Y Shaik), seven Non-executive Directors who are not considered to be independent (Mr JA Mabuza – Deputy Chairman, Mr MJA Golding, Mr JM Kahn, Mr EAG Mackay, Mr VE Mphande, Mr A van der Veen and Mr MI Wyman) and two executive directors (Mr MN von Aulock – Chief Executive Officer and Mr RB Huddy – Chief Financial Officer).

The composition of the board and of the audit and risk, remuneration and the social and ethics committees are determined primarily by the terms of the relationship between the majority shareholders. No independent director has served for more than nine years.

The board considers that there is an appropriate balance of skills, experience, independence and knowledge amongst the independent directors.

Board meetings and attendance

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

		Board		Audit and risk		Remuneration		AGM
	Independent	Attended	Possible	Attended	Possible	Attended	Possible	Attended
JA Copelyn	No	5	5			2	2	Y
MN von Aulock	No	5	5					Y
RB Huddy	No	3	3					
RA Collins	No	3	3					Y
GI Wood	No	3	3					
JA Mabuza	No	4	5					Y
MJA Golding	No	4	5					
JM Kahn	No	5	5					
EAG Mackay	No	3	5			2	2	
VE Mphande	No	4	5					
A van der Veen	No	5	5					
MI Wyman	No	5	5					
PJ Venison(1)	Yes	1	1	1	1	1	1	
RG Tomlinson	Yes	5	5	3	3	2	2	Y
JG Ngcobo	Yes	5	5	3	3	2	2	
Y Shaik	Yes	4	4	2	2	1	1	

(1) *Retired 15 June 2011*

Operation of the board

The board sets the strategic objectives of the group, determines the investment policies and delegates to management the detailed planning and implementation of the objectives and policies in accordance with appropriate risk parameters. The board monitors compliance with policies and achievement against objectives by holding management accountable for its activities through quarterly performance reporting and budget updates. In addition, the divisional Managing Directors, the Group Human Resources Director and the Chief Marketing Officer attend board meetings, enabling the board to explore specific issues and developments in greater detail.

The board governs through clearly mandated board committees. Each committee has specific written terms of reference issued by the board and adopted by the committee. All committee chairmen report orally on the proceedings of their committees at the board meetings.

All directors have unrestricted access to the advice and services of the Company Secretary and to company records, information, documents and property. Non-executive Directors also have unfettered access to management at any time. All directors are entitled, at Tsogo Sun's expense, to seek independent professional advice on any matters pertaining to the group where they deem this to be necessary.

Conflicts of interest

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

Share dealing

A group-wide share trading policy is in place whereby all directors and employees who have access to financial results and other price sensitive information are prohibited from dealing in Tsogo Sun shares during 'closed periods' as defined by the JSE Listings Requirements or while the company is operating under a cautionary announcement. These employees are expressly informed when the group is entering a 'closed period' and that dealing in Tsogo Sun shares during that period is prohibited. Further, directors are obliged to obtain written clearance prior to dealing in the shares of the company and to report any share dealings to the Company Secretary who, together with the sponsor, ensures that the information is published on SENS.

Chairman, Chief Executive Officer and Lead Independent Director

The roles of the Chairman and the Chief Executive Officer are separate, with responsibilities divided between them to ensure a balance of power and authority. The Lead Independent Director is Mr RG Tomlinson who chairs or serves on all of the committees of the board and is therefore well placed to influence the governance of the company and meet his obligations as lead independent director.

The Company Secretary

The Company Secretary is pivotal in good corporate governance and is tasked with providing guidance to directors with regards to discharging their duties. The Company Secretary acts as secretary to the board and its committees. He attended all meetings during the year under review.

Board committees

Audit and risk committee

The audit and risk committee is chaired by Mr RG Tomlinson and the other members are Mr JG Ngcobo and Mr Y Shaik, all of whom are independent Non-executive Directors as required by King III. The committee met three times during the year. The Chief Executive Officer, the Chief Financial Officer, the group's Director of Risk, the group's Human Resources Director and directors from the majority shareholders (Mr JA Copelyn, Mr MI Wyman and Mr A van der Veen) attend the meetings as permanent invitees, along with external audit and the outsourced internal audit. Other directors and members of management attend as required.

The work of the audit and risk committee included consideration of the following matters:

- the annual financial statements and the preliminary results announcement for the year ended 31 March 2012, before their submission to the board for approval. This included consideration of the company on a going concern basis;
- the interim financial statements and interim financial results announcement for the six months ended 30 September 2011;
- review of the annual report prepared in terms of integrated reporting requirements;
- areas of significance in the preparation of the financial statements;
- the group's risk profile, including the risk landscape to which the group is exposed;
- the group's risk tolerance and risk appetite levels;
- reports from the external auditors on the annual financial statements;
- the approval of the external audit and internal audit plans;
- the evaluation of the independence of the external auditors and consideration of the nature and extent of non-audit services;
- the effectiveness of the internal audit function;
- the internal control environment;
- oversight of the implementation of the combined assurance model;
- whistle-blowing systems in place in the group;
- the effectiveness of the external audit function, the determination of the fees and terms of engagement and the recommendation to the board of the reappointment of the external auditors;
- IT risks in relation to core operational systems, systems projects and security initiatives;
- material legal developments;
- the expertise and experience of the Chief Financial Officer; and
- its own terms of reference.

The audit and risk committee reports its activities and makes recommendations to the board. During the year, the committee reviewed its terms of reference to ensure compliance with the new South African Companies Act, and ensured that its responsibilities are discharged as defined in these terms of reference.

The partner of the outsourced internal audit service provider, KPMG, as well as the appointed internal audit executive, the Director of Risk, both have direct access to the committee primarily through its Chairman. During the year, the committee met at least once with the external auditors and with the internal audit service provider without management being present.

Remuneration committee

The remuneration committee is chaired by Mr Y Shaik (independent) and the other members are Mr RG Tomlinson (independent), Mr JG Ngcobo (independent), Mr JA Copelyn and Mr EAG Mackay, all of whom are non-executive directors, as required by King III. The committee met twice during the year. The Chief Executive Officer and the group's Human Resources Director attend the meetings as permanent invitees, except when issues relating to their own compensation are discussed.

The committee is empowered by the board to assess and approve the broad remuneration strategy for the group, the operation of the company's short-term and long-term incentives for executives across the group, and set short-term and long-term remuneration for the executive directors and members of the executive committee.

The scope of the remuneration committee work includes the following matters:

- monitoring and providing guidance in matters relating to organisational culture, structures and processes that support the development and retention of people, and the optimisation of their potential;
- ensuring that the priorities of employment equity and skills retention form part of the business plans of the company – enforcing, monitoring and auditing development and progress;
- determining the company's general policy on executive and senior management remuneration and the specific remuneration packages for the executive directors and other senior executives of the group, and to ensure that they are fairly, competitively but responsibly rewarded for their individual contributions and performance;

- determining any criteria necessary to measure the performance of executive directors and other senior executives in discharging their functions and responsibilities;
- approving targets for any performance-related pay schemes;
- reviewing the group's major policies, practices and programmes and the economic impact thereof, including periodic reviews relating to employee-related matters such as job creation, health and safety, deaths and fatalities, labour unrest, employee development and management diversity/employment equity, charitable giving and community outreach strategy, and projects and political contributions; and
- periodically reviewing the code of conduct of the group and making recommendations to the board for any changes, amendments or modifications in light of changing conditions, new legislation, regulations and other developments.

More details of the group's remuneration policy and the work of the remuneration committee can be found in the Remuneration section on page 46 to page 49.

Social and ethics committee

In compliance with the South African Companies Act and Regulations, the board has established a social and ethics committee and nominated, as first members of this committee, Mr RG Tomlinson, Mr JG Ngcobo and Mr Y Shaik. Due to an overlap of responsibilities between this committee and the audit and risk and remuneration committees, the latter two committees will have their charters and terms of reference reviewed, refined and resubmitted to the board for approval. This committee was constituted at the board meeting of March 2012 and will meet for the first time in November 2012.

The purpose of the committee is to regularly monitor the company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice and, in particular, to monitor the group's compliance with the applicable requirements of Regulation 43 of the South African Companies Act including:

- social and economic development;
- good corporate citizenship;
- environment, occupational health and public safety;
- labour and employment, and
- the group's code of ethics and sustainable business practice.

Group executive committee

The board delegates responsibility for determining and implementing the group's strategy and managing the group to the Chief Executive Officer, Mr MN von Aulock, who is supported by the group executive committee ("GEC") which he chairs. The GEC co-ordinates operational execution of the strategy, ensures effective internal controls are functioning and that there is an effective risk management process in operation throughout the group.

The other members of the GEC are:
Mr J Booysen – Managing Director gaming;
Mr PJ Boshoff – Financial Director hotels;
Mr RA Collins – Chief Marketing Officer;
Mr FV Dlamini – Group Human Resources Director;
Ms L Fick – Corporate Finance Manager;
Mr RB Huddy – Chief Financial Officer;
Mr G Lunga – Financial Director gaming;
Mr TF Mosololi – Operations Director gaming;
Mr KS Page – Director of Development;
Mr TH Parrymore – Chief Information Officer;
Mr GD Tyrrell – Director of Legal Services;
Mr RF Weilers – Managing Director hotels offshore;
Mr GI Wood – Managing Director hotels; and
Mr WJ van Wyngaardt – Group Company Secretary.

The GEC is supported by the management committees for the gaming and hotel divisions.

Risk governance

Philosophy

The board is ultimately responsible for the group's risk management system and for reviewing its effectiveness. The board recognises that success in the governance of risk can only be achieved if all three elements of risk – namely threat, uncertainty and opportunity – are recognised and managed in an integrated fashion. The board is also fully committed to:

- complying with the Governance of Risk requirements of King III;
- following the best practice guidelines contained in the ISO 31000 standard on risk management;
- evaluating its Governance of Risk processes in terms of the committee of sponsoring organisations ("COSO") framework (adjusted to Tsogo Sun's own needs) to enhance the overall risk management framework; and
- ensuring that an integrated risk management system is implemented throughout its businesses.

Mandate

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 its operational divisions, business units and subsidiaries.

Risk methodology

The GEC identifies, quantifies and evaluates the group's risks twice a year utilising a facilitated risk assessment workshop. Based on the risk profile submission from the GEC, the board's audit and risk committee determines the level of unacceptable risks. The severity of risks is measured in qualitative as well as monetary terms. The implementation of the various risk responses is prioritised according to the criticality of the risks as positioned on the various risk matrices.

The process uses our strategy as the base against which to assess risk scenarios. 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.

All the risks that may affect our strategic initiatives are identified and analysed, and risk responses to each individual risk are designed, implemented and monitored. Risks classified as "uncontrollable", or those risks where the root causes are outside of the control of Tsogo Sun, are identified and reported as such to the board. The risk profiles, with the risk responses, are reviewed by the audit and risk committee at least once every six months and are reported to the board at least annually. This methodology further ensures that identified risks are prioritised according to the potential impact on the group; and cost-effective responses are designed and implemented to counter the effects of identified losses. The principal risks facing the group are set out on page 18 to page 19.

Internal control

The directors are responsible for the group's systems of internal control. 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. Key features of the systems of internal control are:

- written policies and procedures within the business which are assessed on a regular basis and enhanced where necessary;
- clearly defined delegation of authority;
- minimisation of operating risk through the use of appropriate infrastructure, controls, systems and people throughout the business;
- operating risk managed through segregation of duties, transaction authorisations, financial and managerial review and reporting, and analysis against approved budgets;
- regulatory requirements which enhance the review and audit focus on the control environment in the gaming division;
- business continuity planning including preventative and contingency measures;
- a treasury operating framework which establishes policies and manages liquidity and financial risks, including foreign exchange, interest rate and counterparty exposures; and
- a group tax function which monitors tax risk and implements mitigating strategies.

The directors have satisfied themselves that adequate systems of internal control are in place to mitigate significant risks identified to an acceptable level. Nothing has come to their attention to indicate that a material breakdown in the functioning of these systems within the group has occurred during the year.

Assurance on compliance with, and the effectiveness of, the systems of internal control is obtained through self-assessment questionnaires, regular management reviews, feedback on remedial actions taken, reviews of key controls, internal audit reviews and testing of certain aspects of the internal financial control systems by external audit during the course of their statutory audits.

Internal audit

The internal audit function for the group is outsourced to KPMG to ensure best practice methodologies are applied. The audits comprise a balance between compliance and risk based testing to provide assurance on regulatory requirements, the adequacy of internal controls, fraud prevention, risk management and the safeguarding of assets. Internal audit, who report functionally to the group's Director of Risk and who have regular meetings with the Chairman of the audit and risk committee, prepare formal reports for each audit and risk committee meeting on the activities and key findings of the internal audit function. Unrestricted consultation is encouraged between the internal audit function and directors, management and Tsogo Sun's external auditors.

The audit and risk committee has therefore satisfied itself that adequate, objective internal audit assurance standards and procedures exist within the group.

External audit

The external auditors are responsible for providing an independent audit opinion on whether the financial statements are fairly presented in compliance with IFRS. The preparation of the financial statements and the effective operation of internal controls, remains the responsibility of the directors and management.

Combined assurance

The board and executive management acknowledge that an integrated approach to the total process of assurance will improve assurance coverage and quality and will be more cost-effective. To this end, the group is finalising a combined assurance model that will address all areas that require assurance.

Key participants in this process are the audit and risk committee, external audit, internal audit, various external assurance providers including Heritage environmental certification, as well as internal assurance providers – primarily management and the group's organisational resilience management standard process.

Risk financing

The risk assessment process to identify the unintentional or insurable risks of the group is conducted by external risk engineers, who conduct underwriting surveys (also known as COPE surveys) of all the major and significant Tsogo Sun facilities. This process is focused primarily on the risk exposures associated with insurable risks.

Tsogo Sun follows the practice of insuring its assets against unavoidable loss arising from catastrophic events. These events include fire, flood, explosion, earthquake and crime-related incidents. Insurance also covers the business interruption which may result from these events. Specific environmental risks are also insured.

Tsogo Sun has a global insurance structure and the bulk of its insurance is placed with its own captive insurance company in the Isle of Man, Tsogosure Insurance Company Limited, which in turn reinsures those risks outside the group's self-insurance capabilities in the global reinsurance markets. Self-insured retention for any one property damage occurrence is R15 million, with an annual aggregate of R30 million. For property damage and business interruption insurance, the directors believe that the loss limit cover of R3.8 billion should be adequate for what they have determined as the reasonably foreseeable loss for any single claim.

Remuneration

Remuneration philosophy and policy

Key tenets of our remuneration philosophy are that we act fairly and responsibly in our approach to employee remuneration and benefits at all times, ensuring our actions are sustainable, that they underscore our objective of being an employer of choice, and are aligned to the strategic and operational requirements of the business.

The objective of the group's remuneration policy is to ensure that we attract and retain employees of the right calibre and skills and motivate them to achieve exceptional performance aligned to our strategic objectives and our stakeholders' interests. We aim to reward employees fairly and equitably through both financial rewards and non-financial benefits such as performance recognition, development and career opportunities. We believe our employees and their representative trade unions, where relevant, value the consistency and predictability of how the terms and conditions of employment are determined.

Total rewards are set at levels that are competitive within the gaming, entertainment and hospitality sectors and the group utilises market surveys to ensure that the components of the remuneration structure are appropriate. The fixed and variable element mix of the remuneration structure differ depending on the employee grade. Senior executives have a larger proportion of their total remuneration subject to performance based variable principles.

The group seeks to ensure an appropriate balance between fixed and performance-related elements of remuneration, and those aspects of the package linked to short-term financial performance and to those linked to longer term shareholder value creation.

The remuneration committee considers each element of remuneration relative to the market and takes into account the performance of the group and the individual executive in determining both quantum and design.

The policy relating to each component of remuneration is summarised below:

Base salaries

Base salaries are subject to annual review. Tsogo Sun's policy is to be competitive at the median level with reference to market practice in companies comparable in terms of size, market sector, business complexity and international scope. However, base salaries of individuals and incumbents in key roles are aligned to the upper quartile level of the market. Group performance, individual performance and changes in responsibilities are also taken into consideration when determining increases to base salaries.

Benefits

Benefits for executives include non-contributory membership to a group approved retirement fund and medical aid. Contributions to these funds are made by the group and included in the executive's guaranteed package.

Healthcare

The majority of employees with medical cover belong to the Tsogo Sun Group Medical Scheme, a restricted membership scheme administered by Discovery Health. The scheme offers hospital, chronic illness and day-to-day cover for 4 217 principal members (9 186 beneficiaries) through either comprehensive or saver type plan options. The scheme is well funded with a healthy solvency ratio at 31 March 2012 of 60%.

Retirement fund membership

Retirement funding for management, who are remunerated on a total package basis, is non-contributory and is included in their total cost of employment. For staff, retirement funding consists of employer and employee contributions dependent on fund membership. The group offers a pension fund (Tsogo Sun Group Pension Fund) and two provident funds (Alexander Forbes Retirement Fund (Provident Section) and Gold Reef Resorts Provident Fund). Other approved funds include union-negotiated funds and funds to which members have historically belonged. Members of the Gold Reef Resorts Executive Provident Fund are in the process of being transferred to the group's provident fund.

Risk and insured benefits

Arising through membership of the group's pension and provident funds, competitive death, disability and funeral benefits are made available to employees through a cell captive insurance arrangement.

Long service awards

Full time employees of the organisation receive long service awards calculated based on the tenure of the employee linked to their guaranteed package. Employees receive an award for every ten years of continued service with the group.

Annual cash incentive

All executives and senior management and selected middle management participate in the group's short-term incentive scheme.

Potential bonus earnings are reviewed periodically by the remuneration committee with minimum and maximum bonus percentages of total package set for each broadband level for the achievement of "on-target" and "stretch target" performance, based on or above the median being paid in the marketplace. Bonus awards are based on individual ratings achieved against set targets for financial performance, relative growth against the market, where relevant, and personal performance. The remuneration committee approves the scheme's targets and hurdles annually.

Long-term incentive schemes

Tsogo Sun utilises share appreciation-based incentives to reward long-term sustainable group performance improvement, retain its senior management expertise and ensure that executives and key talent share a significant level of personal risk/reward with the company's shareholders. To this end Tsogo Sun, and historically Gold Reef, have in operation phantom share schemes with cash settlement designed to align the interests of participants with those of the company's shareholders. The essential elements of these schemes are summarised in the paragraphs below, where the use of the word "unit" throughout recognises that the plan is essentially a "phantom" version of a share scheme where each unit (whether an appreciation unit, performance unit or a bonus unit) is in effect linked to an underlying share in Tsogo Sun.

Participation in the Tsogo Sun Group Share Appreciation Bonus Plan is restricted to selected participants at executive and senior management levels of the organisation, including certain high level specialist employees. In an effort to align incentive practices across the broader Tsogo Sun group, no long-term incentive awards were made to middle management employees, who previously participated in the Gold Reef Share Scheme, in the financial year ended 31 March 2012.

Disclosure is provided in note 25 of the consolidated annual financial statements on page 91 to page 93 of all liabilities arising from the long-term incentive plans.

Appreciation units

Appreciation units allocated at market price are the only share appreciation-based reward mechanism utilised by both TSH under the Tsogo Sun Share Appreciation Bonus Plan and Gold Reef prior to the merger.

Annual allocations of appreciation units are made to executives and selected managers. They are available to be settled on the third anniversaries of their allocation, but need not be exercised until the sixth anniversary, at which time they must be exercised or they will lapse. Allocations made to Tsogo Sun executives and managers prior to 31 March 2008 were available for settlement over a period, being 25%, 25% and 50% on the third, fourth and fifth anniversary respectively, and need not be exercised until the eighth anniversary, at which time they must be exercised or they will lapse. On settlement, the value accruing to participants will be the full appreciation of Tsogo Sun's share price over the allocation price plus dividends declared and paid post grant date, which value will be settled in cash.

Performance units

Annual conditional awards of performance units were made to executives and selected managers of Gold Reef prior to the merger. The performance units vest after a three year period subject to the group's achievement against selected performance measures over the intervening period. Settlement will be in cash, the value of which will be the product of the number of performance units vesting and the value of a Tsogo Sun share at the time of vesting.

At the inception, the vesting of the performance units were defined in terms of the group's compound annual growth rate ("CAGR") in HEPS over the three year period from the award date to the vesting date. HEPS growth was chosen as the preferred metric, rather than any share-oriented metric, as it was considered that sustained earnings growth will continue to be the major value driver in the foreseeable future. No retesting against the performance criteria set at inception is allowed. Any performance units which do not vest at the end of the three year period will lapse.

No performance units have been awarded to existing executive directors or key management.

Bonus units

Annually, executives of Gold Reef received a grant of bonus units that match, according to a specified ratio, a portion of the annual cash incentive accruing to the participant. These bonus units will be settled to participants after three years, conditional on continued employment. Settlement will be in cash, the value of which will be the product of the number of bonus units originally granted and the value of a Tsogo Sun share at the time of vesting.

No bonus units have been awarded to existing executive directors or key management.

Gold Reef Share Scheme

The group operates an equity-settled, share-based compensation plan established in September 1999. Options were granted to permanent employees at the discretion of the directors in terms of which shares in Gold Reef were 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. Shares acquired through the share scheme have to be paid for by the employees at the subscription prices as determined in the option contracts.

No options have been granted to existing executive directors or key management.

Employment agreements

Mr JA Mabuza retired from his position as Chief Executive Officer on 30 September 2011. The group entered into a three year restraint of trade contract that expires on 30 September 2014. In terms of this contract, Mr Mabuza is paid an amount of R8.5 million per annum, in quarterly instalments. In terms of the restraint, Mr Mabuza is prohibited from acting for, consulting to, or advising any other party in the hotel or gaming industry and makes himself available to the group for consultation and assistance where required. In addition, although no further long-term incentive allocations will be made, his existing allocations will vest over that period.

There are no other contracts with senior executives with fixed durations.

The average notice period for the executive directors and the GEC members is three months.

Executive directors' remuneration for the year ended 31 March 2012

Due to the change in the financial period of the company (twelve months for the year ended 31 December 2010 and fifteen months for the period ended 31 March 2012) and the board changes resulting from the merger, the information has been provided on a consistent basis below for the years ended 31 March 2012 and 31 March 2011. The information is provided for the executive directors of TSH prior to the merger and of Tsogo Sun post merger to reflect the nature of the merger transaction.

Details of executive directors' remuneration for the company's fifteen month period ended 31 March 2012 and comparatives for the twelve months ended 31 December 2010 are included in the company annual financial statements on page 120.

Executive Directors	Basic remuneration (R'000)	Benefits (R'000)	Short-term incentives (R'000)	Long-term incentives (R'000)	2012 Total (R'000)
Paid by subsidiaries					
MN von Aulock (1)	**3 311**	**690**	**1 854**	**–**	**5 855**
RB Huddy (2)	**938**	**202**	**–**	**–**	**1 140**
JA Mabuza (3)	**2 063**	**599**	**6 462**	**–**	**9 124**
RA Collins (4)	**1 716**	**287**	**2 626**	**–**	**4 629**
GI Wood (4)	**1 452**	**230**	**731**	**–**	**2 413**
	9 480	**2 008**	**11 673**	**–**	**23 161**

	Basic remuneration (R'000)	Benefits (R'000)	Short-term incentives (R'000)	Long-term incentives (R'000)	2011 Total (R'000)
Paid by subsidiaries					
MN von Aulock (1)	2 259	507	371	–	3 137
JA Mabuza (3)	3 957	1 149	840	–	5 946
RA Collins (4)	2 820	467	763	–	4 050
GI Wood (4)	2 383	377	–	–	2 760
	11 419	2 500	1 974	–	15 893

(1) *Executive director of TSH prior to merger and appointed to Tsogo Sun board on 24 February 2011*
(2) *Appointed to Tsogo Sun board on 31 October 2011*
(3) *Executive director of TSH prior to merger, appointed to Tsogo Sun board on 24 February 2011 and retired on 30 September 2011*
(4) *Executive director of TSH prior to merger, appointed to Tsogo Sun board on 24 February 2011 and resigned from board on 31 October 2011*

Non-executive directors

Non-executive directors receive fees for services on board and board committees. Non-executive directors do not receive short-term incentives and do not participate in any long-term incentive scheme, with the exception of Mr JA Mabuza whose existing share appreciation rights vest over the shorter of the vesting period or his restraint of trade ending on 30 September 2014.

The fees for the non-executive directors have been recommended by the remuneration committee to the board for their approval, taking into account fees payable to non-executive directors of comparable companies and the importance attached to the attraction and retention of high calibre individuals as non-executive directors. Levels of fees are also set by reference to the responsibilities assumed by the non-executive directors in chairing the board and in chairing or participating in its committees.

Any increases will be motivated to the shareholders at the company's AGM and reflect the market dynamics and the increasingly heavy demands being made on the individuals.

Proposed non-executive directors' fees, for shareholder approval, appear in the table below:

	Actual 2012 (R'000)	Proposed 2013 (R'000)
Chairman of the board	**700**	750
Chairman of the audit and risk and social and ethics committees	**400**	430
Chairman of the remuneration committee	**300**	325
Non-executive director and member of a board committee	**250**	270
Non-executive director	**200**	215

Non-executive directors' remuneration for the year ended 31 March 2012

Due to the change in the financial period of the company (twelve months for the year ended 31 December 2010 and fifteen months for the period ended 31 March 2012) and the board changes resulting from the merger, the information has been provided on a consistent basis below for the years ended 31 March 2012 and 31 March 2011. The information is provided for the non-executive directors of TSH prior to the merger and of Tsogo Sun post merger to reflect the nature of the merger transaction.

Details of non-executive directors' remuneration for the company's fifteen month period ended 31 March 2012 and comparatives for the twelve months ended 31 December 2010 are included in the company annual financial statements on page 121.

Non-executive directors' fees Fees and services	**Directors' fees (R'000)**	**Other benefits (R'000)**	**2012 Total (R'000)**	Directors' fees (R'000)	Other benefits (R'000)	2011 Total (R'000)
Paid by subsidiaries						
JA Copelyn [1, 5]	**547**	**–**	**547**	90	–	90
JA Mabuza [2]	**–**	**4 250**	**4 250**	N/A	N/A	N/A
MJA Golding [1, 5]	**163**	**–**	**163**	50	–	50
JM Kahn [1, 5]	**165**	**–**	**165**	60	–	60
EAG Mackay [1, 5]	**200**	**–**	**200**	50	–	50
VE Mphande [1]	**160**	**–**	**160**	40	–	40
A van der Veen [1, 5]	**163**	**–**	**163**	50	–	50
MI Wyman [1, 5]	**163**	**–**	**163**	50	–	50
PJ Venison [3]	**125**	**–**	**125**	200	–	200
RG Tomlinson [1]	**300**	**–**	**300**	N/A	N/A	N/A
JG Ngcobo [1]	**187**	**–**	**187**	N/A	N/A	N/A
Y Shaik [4]	**150**	**–**	**150**	N/A	N/A	N/A
	2 323	**4 250**	**6 573**	590	–	590

(1) Executive director of TSH prior to merger and appointed to Tsogo Sun board on 24 February 2011
(2) Appointed to Tsogo Sun board on 31 October 2011
(3) Executive director of TSH prior to merger, appointed to Tsogo Sun board on 24 February 2011 and retired on 30 September 2011
(4) Executive director of TSH prior to merger, appointed to Tsogo Sun board on 24 February 2011 and resigned from board on 31 October 2011
(5) Directors' fees paid to respective employer companies

TSOGO SUN HOLDINGS LIMITED

(Previously Gold Reef Resorts Limited)

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STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

for the period ended 31 March 2012

The company's directors are required by the South African 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 period. In preparing the accompanying annual financial statements, International Financial Reporting Standards ("IFRS") have been followed, suitable accounting policies have been consistently applied, 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 oversight for the information included in the integrated annual report and are responsible for both its accuracy and its consistency with the annual financial statements.

The directors have reviewed the group's budget and cash flow forecast for the year to 31 March 2013. On the basis of this review, and in the 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 53. 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, 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.

DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the period ended 31 March 2012

The preparation of the financial statements set out on page 54 to page 124 have been supervised by the Chief Financial Officer, RB Huddy CA(SA). These annual financial statements were approved by the board of directors on 7 September 2012 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, No 71 of 2008, I confirm that for the period ended 31 March 2012, 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.

WJ van Wyngaardt
Company Secretary
7 September 2012

REPORT OF THE AUDIT AND RISK COMMITTEE

for the period ended 31 March 2012

Committee mandate and terms of reference

In terms of the South African 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 period in compliance with the charter.

Statutory duties

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

- 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 South African Companies Act. The committee accordingly nominates PricewaterhouseCoopers Inc. as independent auditors to continue in office and that NL Forster is the individual registered auditor and member of the aforegoing firm who undertakes the audit;
- considered and approved the audit fee payable to the external auditors in respect of the audit for the period ended 31 March 2012 ahead of the annual audit as well as their terms of engagement, taking into consideration factors such as the timing of the audit, the extent of work required and the scope of the audit;
- ensured and satisfied itself that the appointments of the external auditors, the designated auditor and IFRS advisor are in compliance with the South African 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 to page 60 to page 70);
- 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 any 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, and 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 integrated annual report

The committee has evaluated the integrated annual report of Tsogo Sun Holdings Limited and the group for the period ended 31 March 2012 and, based on the information provided to the committee, the committee recommends the adoption of the integrated annual report by the board.

RG Tomlinson

Chairperson : Audit and Risk Committee

7 September 2012

REPORT OF THE INDEPENDENT AUDITORS

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 page 54 to page 124, which comprise the balance sheets as at 31 March 2012, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the period then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information, and the directors' report.

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 misstatements, 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 2012, and its consolidated and separate financial performance and its consolidated and separate cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: **NL Forster**
Registered Auditor

Johannesburg
7 September 2012

DIRECTORS' REPORT

for the fifteen months ended 31 March 2012

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. Change of name and year end

As previously reported, shareholders were advised that, at the AGM of the company held at 10:00 on Wednesday, 15 June 2011, the special resolution to approve the change of the company's name proposed in the notice of shareholders dated 24 May 2011 was passed by the requisite majority of shareholders present or represented by proxy. The company's name was changed to Tsogo Sun Holdings Limited, the JSE share code to TSH, the JSE short name to TSOGO SUN and the ISIN to ZAE000156238.

The company changed its year end from 31 December to 31 March. The results and comparatives presented in the company financial statements are for the fifteen months ended 31 March 2012 and twelve months ended 31 December 2010 respectively.

The consolidated financial statements includes all the group's subsidiaries, associates and joint ventures and covers the period from 1 April 2011 to 31 March 2012. The prior year's consolidated results are impacted by the merger of TSH and Gold Reef and the comparative information in the 2012 consolidated financial statements represents the consolidated results of TSH for the year ended 31 March 2011 with Gold Reef equity accounted for eleven months and consolidated with effect from 24 February 2011.

3. State of affairs and profit for the period

The state of affairs are covered in the Chief Financial Officer's report and the operations review on page 27 to page 32 of this integrated annual report, and the financial results of the group and company for the period are set out in the annual financial statements and accompanying notes thereto.

4. Subsequent events

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

5. Dividends

A dividend of 50 cents per share was paid to shareholders on 13 June 2011 in respect of the period ended 31 March 2011.

An interim dividend of 20 cents per share was paid to shareholders on 12 December 2011 in respect of the period ended 31 March 2012.

The board of directors declared a final gross cash dividend of 40 cents per share in respect of the company's period end. The dividend was declared in South African currency and was payable to shareholders recorded in the register of the company at close of business on Friday, 8 June 2012. The total STC credits utilised as part of this declaration amounted to R11.5 million. The number of ordinary shares in issue at the date of this declaration was 1 097 103 626 (excluding treasury shares) and consequently the STC credits utilised per share amounted to 1.0479 cents per share. The dividend is subject to a local dividend tax rate of 15% which will result in a net dividend to those shareholders who are not exempt from paying dividend tax of 34.15719 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 were applicable:

Last date to trade *cum* dividend	Friday, 1 June 2012
Shares trade *ex* dividend	Monday, 4 June 2012
Record date	Friday, 8 June 2012
Payment date	Monday, 11 June 2012

6. Share capital

During the period 2 161 063 ordinary shares were issued for an amount of R16.00 per share as a result of the exercise of options by participants in the Gold Reef Share Scheme. The Gold Reef Share Scheme has been approved by the JSE and the company's shareholders. These shares were listed on the JSE on 30 September 2011.

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, in their discretion, subject to section 38 of the South African Companies Act and the JSE Listings Requirements.

7. Associates, joint ventures and subsidiaries

Refer notes 21 and 22 for details of associates and joint ventures respectively, and note 23 to the company financial statements for details of subsidiaries.

8. Directorate

Refer to page 12 to page 15 of the integrated annual report for details of the directorate.

9. Company Secretary

The secretary of the company is Wynand J van Wyngaardt who was appointed with effect from 16 March 2011. Mr van Wyngaardt'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	Bryanston, 2021
Fourways, 2055	

10. Auditors

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

11. Majority shareholders

The company's majority shareholders are Tsogo Investment Holding Company (Pty) Limited and SABSA Holdings (Pty) Limited who own 41,3% and 39,7% respectively. No shareholder has a controlling interest in the company.

12. Special resolutions

The following special resolutions were passed by the company's shareholders at the AGM held on 15 June 2011:

- approval of the fees payable to non-executive directors for their services as directors or as members of the board sub-committees in respect of the financial period ended 31 March 2012;
- granting the company and the subsidiaries of the company a general authority in terms of the listings requirements of the JSE for the acquisition by the company, or a subsidiary of the company, of ordinary issued shares issued by the company;
- change of the name of the company from Gold Reef Resorts Limited to Tsogo Sun Holdings Limited (referred to in note 2 above); and
- authorisation for the company to provide financial assistance to its holding company (if any) and/or its subsidiary companies from time to time during the ensuing two years if the directors consider it necessary or expedient for the purposes of the conduct of the business and affairs of the company, its holding company (if any) and/or its subsidiary companies.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March

	Notes	2012 Rm	2011 Restated Rm
Net gaming win		**6 111**	3 804
Revenue	8	**2 920**	2 683
Income		**9 031**	6 487
Gaming levies and VAT	9	**(1 248)**	(773)
Property and equipment rentals	10	**(239)**	(211)
Amortisation and depreciation	11	**(623)**	(447)
Employee costs	12	**(2 116)**	(1 467)
Other operating expenses	13	**(1 787)**	(2 137)
Operating profit		**3 018**	1 452
Interest income	14	**49**	24
Finance costs	15	**(469)**	(415)
Share of profit of associates and joint ventures	21, 22	**10**	79
Profit before income tax		**2 608**	1 140
Income tax expense	16	**(761)**	(431)
Profit for the year		**1 847**	709
Profit attributable to:			
Equity holders of the company		**1 717**	583
Non-controlling interests		**130**	126
		1 847	709
Basic and diluted earnings per share (cents)	5	**156.5**	64.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March

	2012 Rm	2011 Restated Rm
Profit for the year	**1 847**	709
Other comprehensive income for the year, net of tax	**23**	6
Cash flow hedges	**(25)**	42
Close out of cash flow hedge	**(2)**	–
Currency translation adjustments	**43**	(24)
Income tax relating to components of other comprehensive income	**7**	(12)
Total comprehensive income for the year	**1 870**	715
Total comprehensive income attributable to:		
Equity holders of the company	**1 739**	589
Non-controlling interests	**131**	126
	1 870	715

The notes on page 60 to page 109 form an integral part of these consolidated financial statements. Refer note 40 for details of the prior year restatement.

CONSOLIDATED BALANCE SHEET

as at 31 March

	Notes	2012 Rm	2011 Restated Rm	2010 Restated Rm
ASSETS				
Non-current assets				
Property, plant and equipment	18	**8 568**	8 099	5 583
Goodwill	19	**2 109**	1 856	1 535
Other intangible assets	20	**4 233**	4 221	141
Investments in associates	21	**48**	116	1 583
Investments in joint ventures	22	**122**	133	127
Non-current receivables	23	**54**	152	135
Deferred income tax assets	24	**114**	123	127
Derivative financial instruments	34	**–**	18	–
Amounts due by share scheme participants	25.1	**19**	17	–
		15 267	14 735	9 231
Current assets				
Inventories	26	**176**	171	130
Trade and other receivables	27	**407**	383	285
Current income tax assets		**82**	62	–
Cash and cash equivalents	28	**1 443**	956	514
		2 108	1 572	929
Total assets		**17 375**	16 307	10 160
EQUITY				
Capital and reserves attributable to equity holders of the company				
Ordinary share capital and premium	29	**4 754**	4 751	1 074
Share-based payment reserve		**3**	2	–
Surplus arising on change in control in joint venture		**130**	130	130
Other reserves	30	**(230)**	13	7
Retained earnings		**3 063**	2 115	1 532
Total shareholders' equity		**7 720**	7 011	2 743
Non-controlling interests		**727**	862	624
Total equity		**8 447**	7 873	3 367
LIABILITIES				
Non-current liabilities				
Interest-bearing borrowings	31	**3 202**	2 814	2 299
Preference share capital and premium	32	**1 000**	1 000	1 000
Obligations under finance leases	33	**43**	52	58
Derivative financial instruments	34	**9**	–	19
Deferred income tax liabilities	24	**1 517**	1 470	247
Post-employment benefit liability	35	**23**	22	23
Deferred revenue and income	36	**40**	31	17
Long-term incentive liabilities	25.4	**30**	11	16
Provisions	37	**97**	82	49
Other non-current liabilities	38	**259**	564	593
		6 220	6 046	4 321
Current liabilities				
Interest-bearing borrowings	31	**1 373**	1 238	1 620
Obligations under finance leases	33	**9**	6	4
Derivative financial instruments	34	**38**	72	53
Trade and other payables	39	**958**	799	634
Deferred revenue and income	36	**34**	25	18
Long-term incentive liabilities	25.4	**52**	19	24
Provisions	37	**183**	148	79
Current income tax liabilities		**61**	81	40
		2 708	2 388	2 472
Total liabilities		**8 928**	8 434	6 793
Total equity and liabilities		**17 375**	16 307	10 160

The notes on page 60 to page 109 form an integral part of these consolidated financial statements. Refer note 40 for details of the prior year restatement.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March

		Attributable to equity holders of the company							
	Notes	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	Total equity Rm
Balance at 1 April 2010 as previously reported		1 074	–	130	7	1 571	2 782	625	3 407
Recognition of long service awards		–	–	–	–	(39)	(39)	(1)	(40)
Restated balance at 1 April 2010		1 074	–	130	7	1 532	2 743	624	3 367
Total comprehensive income		–	–	–	6	583	589	126	715
Profit for the year		–	–	–	–	583	583	126	709
Cash flow hedges:									
Fair value gains during the year		–	–	–	42	–	42	–	42
Deferred tax on fair value gains		–	–	–	(12)	–	(12)	–	(12)
Currency translation adjustments		–	–	–	(24)	–	(24)	–	(24)
Share capital and premium arising on reverse acquisition		3 677	–	–	–	–	3 677	–	3 677
Non-controlling interests share of property brought into use		–	–	–	–	–	–	93	93
Non-controlling interests recognised on reverse acquisition		–	–	–	–	–	–	45	45
Recognition of share-based payments		–	2	–	–	–	2	–	2
Acquisition of non-controlling interests		–	–	–	–	–	–	(1)	(1)
Repayment of non-controlling interests' equity loans		–	–	–	–	–	–	(2)	(2)
Ordinary dividends		–	–	–	–	–	–	(23)	(23)
Restated balance at 1 April 2011		4 751	2	130	13	2 115	7 011	862	7 873
Total comprehensive income		–	–	–	22	1 717	1 739	131	1 870
Profit for the year		–	–	–	–	1 717	1 717	130	1 847
Cash flow hedges:									
Fair value losses during the year		–	–	–	(25)	–	(25)	–	(25)
Deferred tax on fair value losses		–	–	–	7	–	7	–	7
Close out of cash flow hedge		–	–	–	(2)	–	(2)	–	(2)
Currency translation adjustments		–	–	–	42	–	42	1	43
Shares issued to share trust	29	35	–	–	–	–	35	–	35
Shares issued by subsidiary taken up by non-controlling interests	48.1	–	–	–	–	–	–	20	20
Non-controlling interests arising on business combinations	48.3	–	–	–	–	–	–	7	7
Recognition of share-based payments	25.1	–	1	–	–	–	1	–	1
Repayment of non-controlling interests' equity loans		–	–	–	–	–	–	(1)	(1)
Treasury shares held by share trust	29	(32)	–	–	–	–	(32)	–	(32)
Acquisition of non-controlling interests	48.2	–	–	–	(265)	–	(265)	(245)	(510)
Shares issued by subsidiary as part of capitalisation issue		–	–	–	–	–	–	1	1
Ordinary dividends	17	–	–	–	–	(769)	(769)	(48)	(817)
Balance at 31 March 2012		4 754	3	130	(230)	3 063	7 720	727	8 447

The notes on page 60 to page 109 form an integral part of these consolidated financial statements. Refer note 40 for details of the prior year restatement.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March

	Notes	2012 Rm	2011 Rm
Cash flows from operating activities			
Cash generated from operations	41	**3 396**	2 288
Interest received		**46**	25
Finance costs		**(501)**	(418)
Income tax paid	42	**(785)**	(464)
Dividends paid to shareholders	43	**(768)**	–
Dividends paid to non-controlling interests		**(48)**	(23)
Dividends received		**5**	57
Net cash generated from operations		**1 345**	1 465
Cash flows from investment activities			
Purchase of property, plant and equipment		**(692)**	(306)
Proceeds from disposals of property, plant and equipment		**10**	13
Purchase of intangible assets		**(44)**	(29)
Acquisition of subsidiaries, net of cash acquired	48.3, 48.4	**(278)**	479
Loans advanced to associates		**(2)**	(6)
Loans advanced to joint ventures		**(7)**	–
Other loans and investments repaid		**14**	5
Other loans and investments made		**–**	(6)
Net cash (utilised for)/generated by investment activities		**(999)**	150
Cash flows from financing activities			
Borrowings raised		**1 152**	–
Borrowings repaid		**(588)**	(1 071)
Issue of preference shares		**–**	1 000
Redemption of preference shares		**–**	(1 000)
Repayments of finance leases		**(6)**	(5)
Acquisition of non-controlling interests		**(509)**	(1)
Part settlement of contingent consideration for Millennium acquisition		**(24)**	–
Loan repayments by/(to) non-controlling interests		**98**	(2)
Increase in amounts due by share scheme participants		**(1)**	–
Net cash generated from/(utilised in) financing activities		**122**	(1 079)
Net increase in cash and cash equivalents		**468**	536
Cash and cash equivalents at beginning of year		**956**	425
Foreign currency translation		**19**	(5)
Cash and cash equivalents at end of year	28	**1 443**	956

The notes on page 60 to page 109 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

The significant accounting policies adopted in the preparation of the group's financial statements and company 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 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), AC 500 Standards as issued by the Accounting Practices Board or its successor and the South African Companies Act 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 ("IFRSs"), International Accounting Standards ("IASs") 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) 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 board of directors. The board reviews the group's internal reporting in order to assess performance and allocate resources based on the reports reviewed by the group's board of directors at the board meetings which are used to make strategic decisions.

c) 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 entities controlled by the group, where control is the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefit from its activities, regardless of whether this power is actually exercised. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another 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 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.

1. Accounting policies continued

c) Basis of consolidation and business combinations continued

(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.

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 co-terminous with the group's accounting reference date. Where management prepared information is a different date from that of the group, 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' 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 and according to the differing risk and reward profiles.

1. Accounting policies continued

d) 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 to profit or loss. 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

One-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.

e) 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 or valuation, less the estimated residual value of each asset, over its expected useful life, as follows:

Freehold properties	10 – 50 years
Leasehold land and buildings	Period of the lease
Casino equipment	4 – 6 years*
Computer equipment	2 – 6 years*
Furniture, fittings and other equipment	3 – 15 years*
Vehicles	5 years*
Theme park rides	6 – 26 years*

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

1. Accounting policies continued

e) Property, plant and equipment continued

(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. 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.

f) 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 re-assessed on an annual basis.

Internally generated costs associated with maintaining computer software programmes are expensed as incurred.

(ii) Bid costs

Costs incurred during the bidding process for a casino licence are capitalised by the individual casino on the successful award of a casino licence as these costs are directly attributable to the award of the licence, and amortised over the exclusivity period applicable to each licence (refer note f(iii)).

The costs associated with unsuccessful casino licence applications are written off as and when incurred.

(iii) Casino licences

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 c(v)). Casino licences having an expiry date are amortised over the exclusivity period of the respective licence.

(iv) 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.

g) Financial assets and financial liabilities

Financial assets are recognised when the group has rights or other access to economic benefits. 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 have expired or have 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.

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 indeterminable monetary amounts, the relevant financial assets and liabilities are offset.

1. Accounting policies continued

g) Financial assets and financial liabilities continued

Finance costs are charged against income in the year in which they accrue. 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 twelve 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 twelve 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, i.e. directly to other comprehensive income. Financial assets carried at fair value through profit or loss are initially recognised at fair value and, together with 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 carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value though 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 and 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.

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.

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

1. Accounting policies continued

h) 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 (i) below for the group's accounting policy on hedge accounting.

i) 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 reperformed at each period end to ensure that the hedge has remained and will continue to remain highly effective.

Certain derivatives are designated as either:

- 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;
- hedges of highly probable forecast transactions or commitments (cash flow hedge); or
- hedges of net investments in foreign operations (net investment hedge). The group does not hold any hedges in this category.

Certain derivative instruments, whilst 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 twelve months, and it is classified as a current asset or liability when the remaining maturity of the hedged item is less than twelve 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 forecasted 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.

j) 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.

1. Accounting policies continued

k) Inventories

Inventories are valued at the lower of cost or net realisable value. Operating equipment (which includes gaming chips, uniforms, kitchen utensils, crockery, cutlery and linen) 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; and
- 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.

l) Cash and cash equivalents

Cash and cash equivalents include cash in 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.

m) Share capital

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

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.

n) 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.

o) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs, and are subsequently stated at amortised cost and include accrued interest and prepaid interest. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve 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.

Borrowing costs include all finance 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 1(e)(v)), are recognised in the income statement in the period in which they are incurred.

p) Impairment

This policy covers all assets except goodwill (refer note c(v)), trade receivables (refer note (j)), inventories (refer note (k)), financial assets (refer note (g)) and deferred income tax assets (refer note (u)).

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1. Accounting policies continued

q) 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 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.

r) Revenue recognition

(i) Hotel, gaming and Theme Park revenues

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

(ii) Customer loyalty incentives

Provision is made for the estimated liability arising from the issue of benefits under the group's customer loyalty incentive 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 income in the balance sheet, and released to profit or loss as the awards are redeemed.

(iii) Rental, royalty and management fee income

Rental and 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 continuing 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.

s) 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, the South African Revenue Services ("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.

1. Accounting policies continued

t) 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 is 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.

u) 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.

v) Secondary Tax on Companies

South African resident companies are subject to a dual corporate tax system, one part of the tax being levied on the taxable income and the other, a secondary tax on distributed income (STC). A company has STC charges on the declaration or deemed declaration of dividends (as defined under tax law) to its shareholders. STC is not a withholding tax on shareholders, but a tax on companies.

The STC tax consequence of dividends is recognised as a taxation charge in the income statement in the same period that the related dividend is accrued as a liability. The STC liability is reduced by dividends received during the dividend cycle. Where dividends received exceed dividends declared within a cycle, STC is payable at the current STC rate on the net amount. Where dividends received exceed dividends declared within a cycle, there is no liability to pay STC. The potential tax benefit related to excess dividends received is carried forward to the next dividend cycle as a STC credit. Deferred tax assets are recognised on unutilised STC credits to the extent that it is probable that the group will declare future dividends to utilise such STC credits.

1. Accounting policies continued

v) Secondary Tax on Companies continued

The South African government replaced STC with a dividend tax on shareholders with effect from 1 April 2012. Dividends declared by the group before 1 April 2012 are subject to STC. The STC expense is included in the income statement within taxation in the period that the related dividend is declared. Cash dividends declared by the group from 1 April 2012 are subject to dividend tax which is a tax on the shareholder. STC credits will not directly benefit the company because the new withholding tax is levied on the shareholder and not the company, with the exception of non-cash dividends. The group will only carry STC deferred tax assets to the extent that they will be utilised against future non-cash dividends.

Existing STC credits will expire on 1 April 2015 if not utilised.

w) 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.

x) 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.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as income or expense if the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded the greater of:

- 10% of the present value of the defined benefit obligation at that date (before deducting plan assets); and
- 10% of the fair value of any plan assets at that date.

Past-service costs are recognised immediately in income, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after balance sheet date are discounted to present value in a similar manner to all long-term employee benefits.

(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. 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.

1. Accounting policies continued

x) Employee benefits

(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 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 to other comprehensive income 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.

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 twelve 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.

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.

2. Critical accounting estimates and judgements continued

b) 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(c) and 1(f). 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 19 and 20.

c) 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.

d) 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. Future events could cause the assumptions used by the group to change which could have a significant impact on the results and net position of the group.

e) Contingency payment for 100% control in Millennium Casino Limited

During 2010 the group acquired an effective 100% control in Millennium Casino Limited. Included in other non-current liabilities is an accrual for a maximum contingency payment of R330 million which is dependent on the future gaming win of a subsidiary of the group, Tsogo Sun KwaZulu-Natal (Pty) Limited. This is in terms of the purchase agreement and is based on the expected gaming win that Tsogo Sun KwaZulu-Natal (Pty) Limited would achieve by 31 March 2012.

Subsequent to the year end, an amount of R68 million, including interest, was paid to the seller of the shares in full settlement of the liability based on gaming win for the twelve months to 31 March 2012. The remaining portion of this liability was written back to profit and loss during the year under review, being an amount of R248 million.

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

a) The following standards, interpretations and amendments to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 April 2012 or later periods, which the group has not early adopted:

IFRS 7 (Amendment) Financial Instruments: Disclosures – Revised

- Amendments require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The group will apply IFRS 7 (revised) from the annual period beginning 1 April 2012.
- 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 IFRS 7 (revised) from the annual period beginning 1 April 2013.

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 2015). 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 will apply IFRS 9 from the annual periods beginning 1 April 2015.

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

a) The following standards, interpretations and amendments to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 April 2012 or later periods, which the group has not early adopted: continued

IFRS 10 Consolidated Financial Statements

This new standard replaces the consolidation requirements in SIC-12 *Consolidation – Special Purpose Entities* and IAS 27 *Consolidated and Separate Financial Statements*. This new standard 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 and provides additional guidance to assist in the determination of control where this is difficult to assess. The group will apply IFRS 10 from the annual period beginning 1 April 2013.

IFRS 11 Joint Arrangements

This new standard deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. This new standard requires a single method for accounting for interests in jointly controlled entities. The group will apply IFRS 11 from the annual period beginning 1 April 2013.

IFRS 12 Disclosure of Interests in Other Entities

This new and comprehensive standard deals with the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The group will apply IFRS 12 from the annual period beginning 1 April 2013.

IFRS 13 Fair Value Measurement

This new standard provides guidance on fair value measurement and disclosure requirements. The group will apply IFRS 13 from the annual period beginning 1 April 2013.

IAS 1 (Amendment) Presentation of Financial Statements

The amendment has a new requirement to group together items within other changes in comprehensive income that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity.

A second amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either as required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* or voluntarily.

The group will apply IAS 1 amended from the annual period beginning 1 April 2013.

IAS 12 (Amendment) Income Taxes

The amendment introduces a rebuttable presumption that an investment property will be recovered in its entirety through sale. This amendment is applicable to annual periods beginning on or after 1 January 2012. This statement does not apply to the group.

IAS 16 (Amendment) Property, Plant and Equipment

This amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. The group will apply IAS 16 amended from the annual period beginning 1 April 2013.

IAS 19 (Amendment) Employee Benefits

The amendment is in respect of the accounting for current and future obligations resulting from the provision of defined benefit plans. The group will apply IAS 19 amended from the annual period beginning 1 April 2013.

IAS 27 (Amendment) Consolidated and Separate Financial Statements

The revised standard clarifies the consequential amendments resulting from the issue of IFRS 10, 11 and 12 as mentioned above. The group will apply IAS 27 amended from the annual period beginning 1 April 2013.

IAS 28 (Amendment) Investments in Associates

The revised standard clarifies the consequential amendments resulting from the issue of IFRS 10, 11 and 12 as mentioned above. The group will apply IAS 28 amended from the annual period beginning 1 April 2013.

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.

A further amendment clarifies the treatment of income tax relating to distributions and transaction costs. The amendment clarifies that the treatment is in accordance with IAS 12 *Income Taxes*. As a result, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity. The group will apply IAS 32 amended from the annual periods beginning 1 April 2013.

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

a) The following standards, interpretations and amendments to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 April 2012 or later periods, which the group has not early adopted: continued

IAS 34 (Amendment) Interim Financial Reporting

The amendment brings IAS 34 into line with the requirements of IFRS 8 *Operating Segments*. A measure of total assets and liabilities is required for an operating segment in interim financial statements if such information is regularly provided to the chief operating decision-maker and there has been a material change in those measures since the last annual financial statements. The group will apply IAS 34 amended from the annual period beginning 1 April 2013.

b) The new interpretations are as follows:

IFRIC 20 *Stripping Costs in the Production Phase of a Surface*. IFRIC 20 is not applicable to the group.

The adoption of these standards, interpretations and amendments is not expected to have a material effect on the consolidated results of operations or financial position of the group.

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.

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 SA Rand applied during the year:

	Average rate		Reporting date closing rate	
	2012	2011	**2012**	2011
	R	R	**R**	R
1 US Dollar is equivalent to	**7.42**	7.19	**7.67**	6.77
1 Euro is equivalent to	**10.23**	9.51	**10.24**	9.59

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 trade receivables and trade payables recorded in the local currencies of the foreign operations. This analysis assumes no hedging and that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2011.

	Profit/(Loss) 2012 Rm	Profit/(Loss) 2011 Rm
Local currency:		
US Dollar	**12**	5
Euro	**5**	5
Other currencies	**1**	–

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.

4. Financial risk management continued

4.1 Financial risk factors continued

(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 share investments 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 twelve month rolling period.

The group manages its interest rate risk by using floating-to-fixed interest rate swaps. Such 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.

As at 31 March 2012, 46% (2011: 59%) of consolidated gross borrowings were in fixed rates taking into account interest rate swaps. As at 31 March 2012, 62% (2011: 72%) of consolidated net borrowings were in fixed rates.

Fixed interest rate swaps ranged from 6.49% to 8.77% as at 31 March 2012 (2011: 6.49% to 10.91%) referenced against the three-month Johannesburg Interbank Agreed Rate ("JIBAR") rate of 5.60% at 31 March 2012 and 5.58% at 31 March 2011.

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 either one-month or three-month JIBAR, the carrying amounts of which are as follows:
- linked to prime at 31 March 2012 – R1 000 million (2011: R1 000 million);
- linked to the money market deposit rate at 31 March 2012 – R32 million (2011: Rnil);
- linked to the Rand Overnight Deposit Index at 31 March 2012 – R453 million (2011: R431 million);
- linked to one-month JIBAR at 31 March 2012 – R1 589 million (2011: R1 278 million); and
- linked to three-month JIBAR at 31 March 2012 – R2 501 million (2011: R2 343 million).

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

	Carrying amount	
	2012 Rm	2011 Rm
Fixed rate instruments:		
Financial assets	**–**	–
Financial liabilities	**(52)**	(58)
	(52)	(58)
Variable rate instruments:		
Financial assets	**1 368**	1 016
Financial liabilities	**(5 575)**	(5 052)
	(4 207)	(4 036)

Cash flow sensitivity analysis for variable rate instruments:
A change of 100 basis points in interest rates would have increased/(decreased) profit or loss by R42 million (2011: R40 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011, and excludes the effect of any hedges the group may have contracted.

(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 material available-for-sale financial assets, and therefore does not have any equity price risk. The group 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 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.

4. Financial risk management continued

4.1 Financial risk factors continued

(b) Credit risk continued

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 & Poors 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 ("ISDA") 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 aging analysis of these debtors on an ongoing basis. Refer note 27 for further credit risk analysis in respect of trade and other receivables.

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

(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 2012 the group had 59% (2011: 51%) surplus flexible facilities, inclusive of available cash on deposit, above that of flexible borrowings.

	2012 Rm	2011 Rm
Debt at 1 April	**(5 110)**	(4 981)
Net increase in debt for the year	**(517)**	(129)
Debt at 31 March	**(5 627)**	(5 110)
Credit facilities[1]	**6 731**	6 632
Headroom available	**1 104**	1 522

[1] *Includes funding facilities of R32 million (2011: R99 million) from non-controlling interests and R1 billion preference share funding from ABSA/RMB/Nedbank together with finance lease contracts, but excludes indirect facilities (letters of guarantees, forward exchange contracts and letters of credit)*

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:

	2012 facility			2011 facility		
	Total Rm	**Utilisation Rm**	**Available Rm**	Total Rm	Utilisation Rm	Available Rm
Demand facilities (overdrafts)	**158**	**–**	**158**	168	–	168
364-day notice facilities	**1 200**	**1 053**	**147**	1 000	431	569
Term facilities maturing 31 March 2014	**1 000**	**1 000**	**–**	1 000	1 000	–
Term facilities maturing 8 December 2016	**500**	**–**	**500**	–	–	–
Term facilities maturing 31 March 2018	**2 800**	**2 501**	**299**	3 029	2 244	785
Term facilities maturing 1 October 2018	**989**	**989**	**–**	1 091	1 091	–
Other term and non-controlling interests funding	**84**	**84**	**–**	344	344	–
	6 731	**5 627**	**1 104**	6 632	5 110	1 522

4. Financial risk management continued

4.1 Financial risk factors continued

(c) Liquidity risk continued

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.

Inclusive of capital and interest:	Less than 1 year Rm	Between 1 and 2 years Rm	Between 2 and 5 years Rm	Over 5 years Rm
At 31 March 2012				
Bank borrowings	**1 628**	**562**	**1 606**	**1 909**
Other non-current liabilities	**58**	**–**	**–**	**–**
Non-controlling interests	**2**	**2**	**34**	**–**
Redeemable preference share capital and premium	**73**	**1 073**	**–**	**–**
Obligations under finance leases	**14**	**16**	**35**	**–**
Derivative financial instruments	**38**	**12**	**(3)**	**–**
Trade and other payables	**756**	**–**	**–**	**–**
	2 569	**1 665**	**1 672**	**1 909**
At 31 March 2011				
Bank borrowings	1 324	857	1 925	489
Other non-current liabilities	24	328	–	–
Non-controlling interests	100	–	–	–
Redeemable preference share capital and premium	67	67	1 067	–
Obligations under finance leases	12	14	50	2
Derivative financial instruments	72	–	(18)	–
Trade and other payables	609	–	–	–
	2 208	1 266	3 024	491

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.

Exclusive of interest:	Less than 1 year Rm	Between 1 and 2 years Rm	Between 2 and 5 years Rm	Over 5 years Rm
At 31 March 2012				
Interest rate swaps – cash flow hedges:				
– outflow	**(38)**	**(12)**	**–**	**–**
– inflow	**–**	**–**	**3**	**–**
	(38)	**(12)**	**3**	**–**
At 31 March 2011				
Interest rate swaps – cash flow hedges:				
– outflow	(72)	–	–	–
– inflow	–	–	18	–
	(72)	–	18	–

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.

4. Financial risk management continued

4.2 Financial instruments by category

The table below reconciles the group's accounting categorisation of financial assets and 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
At 31 March 2012							
Assets							
Investments in associates	**9**	**–**	**–**	**39**	**48**	**48**	**–**
Investments in joint ventures	**–**	**–**	**–**	**122**	**122**	**122**	**–**
Non-current receivables	**22**	**–**	**–**	**32**	**54**	**54**	**–**
Trade and other receivables	**338**	**–**	**–**	**69**	**407**	**–**	**407**
Cash and cash equivalents	**1 443**	**–**	**–**	**–**	**1 443**	**–**	**1 443**
Liabilities							
Interest-bearing borrowings	**–**	**–**	**4 575**	**–**	**4 575**	**3 202**	**1 373**
Redeemable preference share capital and premium	**–**	**–**	**1 000**	**–**	**1 000**	**1 000**	**–**
Obligations under finance leases	**–**	**–**	**52**	**–**	**52**	**43**	**9**
Derivative financial instruments	**–**	**47**	**–**	**–**	**47**	**9**	**38**
Trade and other payables	**–**	**–**	**756**	**202**	**958**	**–**	**958**
At 31 March 2011							
Assets							
Investments in associates	28	–	–	88	116	116	–
Investments in joint ventures	6	–	–	127	133	133	–
Non-current receivables	130	–	–	22	152	152	–
Derivative financial instruments	–	18	–	–	18	18	–
Trade and other receivables	317	–	–	66	383	–	383
Cash and cash equivalents	956	–	–	–	956	–	956
Liabilities							
Interest-bearing borrowings	–	–	4 052	–	4 052	2 814	1 238
Redeemable preference share capital and premium	–	–	1 000	–	1 000	1 000	–
Obligations under finance leases	–	–	58	–	58	52	6
Derivative financial instruments	–	72	–	–	72	–	72
Trade and other payables	–	–	609	190	799	–	799

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.

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.

4. Financial risk management continued

4.3 Capital risk management continued

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.

During 2012 the group's strategy was to ensure that net debt[1] was no more than 2.2 times (2011: 2.0 times) Ebitdar and that Ebitdar covers net interest by at least 3.0 times (2011: 2.5 times). Ebitdar, being the driver of profitability and equity contributor, is the critical measurement criteria used to manage debt and capital levels.

	2012 Rm	2011 Rm
Total borrowings[1]	**5 627**	5 110
Less: Cash and cash equivalents[1]	**(1 443)**	(956)
Net debt	**4 184**	4 154
Ebitdar	**3 501**	3 261
Net debt[1]/Ebitdar (times)	**1.2**	1.3
Interest cover[2] (times)	**8.3**	8.3

[1] *Includes bank preference share funding*
[2] *Interest cover = Ebitdar divided by net finance costs per the income statement*

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

4.4 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 group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. 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 2012 and 2011.

	2012 Rm	2011 Rm
Fair value measurement using level 2 observable inputs:		
Derivative financial instrument – liability (net)	**47**	54

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

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

All interest rates are market related in terms of the group's current credit rating with financial institutions.

5. Reconciliation of earnings attributable to equity holders of the company to headline earnings and adjusted earnings

	2012		2011 Restated	
	Rm	Rm	Rm	Rm
	Gross	Net(1)	Gross	Net(1)
Earnings attributable to equity holders of the company		1 717		583
Gain on disposal of property, plant and equipment	(3)	(2)	(6)	(5)
Impairment of plant and equipment	–	–	11	8
Impairment of investment in joint venture	2	2	–	–
Fair value (gain)/loss on revaluation of previously held interest in associate	(179)	(179)	299	299
Headline earnings		1 538		885
Impairment of financial instruments	43	43	4	3
Write-back of contingent purchase consideration	(248)	(248)	–	–
Transaction costs on acquisition of Gold Reef (including associate costs)	–	–	97	83
Pre-opening expenses	–	–	8	6
Restructuring costs	–	–	11	8
Recovery on early settlement of debt (associate) (net)	–	–	(3)	(2)
Adjusted headline earnings(2)		1 333		983
Number of shares in issue (m)		1 097		1 097
Weighted number of shares in issue (m)		1 097		906
Basic and diluted earnings per share (cents)		156.5		64.3
Basic and diluted headline earnings per share (cents)		140.2		97.7
Basic and diluted adjusted headline earnings per share (cents)		121.5		108.5

The prior year's basic and diluted earnings and headline earnings per share declined by 2.6 cents as a result of the restatement.

(1) *Net of tax and non-controlling interests*

(2) *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*

6. Reconciliation of operating profit to Ebitdar

	2012 Rm	2011 Restated Rm
Group Ebitdar pre-exceptional items is made up as follows :		
Operating profit	3 018	1 452
Add:		
Property rentals	190	171
Amortisation and depreciation	623	447
Long-term incentive expense/(credit)	55	(13)
	3 886	2 057
(Less)/Add: Exceptional (profits)/losses	(385)	420
Gain on disposal of property, plant and equipment	(3)	(6)
Impairment of investment in joint venture	2	–
Fair value (gain)/loss on revaluation of previously held interest in associate	(179)	299
Write-back of contingent purchase consideration	(248)	–
Impairment of financial instruments	43	4
Impairment of plant and equipment	–	11
Transaction costs on acquisition of Gold Reef	–	93
Pre-opening expenses	–	8
Restructuring costs	–	11
Ebitdar	3 501	2 477

7. Segmental analysis

In terms of IFRS 8 *Operating Segments* the chief operating decision-maker has been identified as the group's board of directors. The board reviews 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 board of directors at the board meetings which are used to make strategic decisions.

The board considers the business from both a geographical basis and business type, being hotels and gaming. All gaming segments and the South African hotels division conduct business in South Africa, with the offshore hotels division having operations in other African countries, the Middle East and the Seychelles. Other gaming operations consist mainly of the Sandton Convention Centre. The corporate segment includes the treasury and management function of the group, together with the group's captive insurance operations.

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 board of directors assesses 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.

In order to improve reporting of segments as reviewed by the chief operating decision-maker, all gaming properties have been disclosed separately for 2012 and 2011 comparatives. This is as a result of the reverse acquisition of Gold Reef on 24 February 2011. The properties acquired as a result of the Gold Reef reverse acquisition therefore consist only of one month's results for the 2011 comparatives.

	Income		**Ebitdar[1] [2]**		**Ebitdar margin**		**Amortisation and depreciation**	
	2012	2011	**2012**	2011 Restated	**2012**	2011 Restated	**2012**	2011
	Rm	Rm	**Rm**	Rm	**%**	%	**Rm**	Rm
Montecasino	**2 107**	1 964	**901**	790	**42.8**	40.2	**86**	101
Suncoast	**1 313**	1 261	**634**	607	**48.3**	48.1	**98**	94
Gold Reef City	**1 162**	87	**462**	14	**39.8**	16.1	**85**	7
Silverstar	**557**	51	**207**	14	**37.2**	27.5	**53**	5
The Ridge	**357**	332	**171**	160	**47.9**	48.2	**26**	23
Emnotweni	**292**	268	**130**	114	**44.5**	42.5	**17**	16
Golden Horse	**287**	23	**144**	9	**50.2**	39.1	**32**	3
Hemingways	**285**	269	**122**	116	**42.8**	43.1	**19**	17
Garden Route	**155**	12	**70**	4	**45.2**	33.3	**13**	1
Goldfields	**131**	11	**59**	4	**45.0**	36.4	**11**	1
Blackrock	**123**	108	**48**	38	**39.0**	35.2	**12**	9
Caledon	**123**	120	**36**	34	**29.3**	28.3	**8**	11
Mykonos	**120**	9	**52**	2	**43.3**	22.2	**8**	1
Other gaming operations	**101**	115	**(150)**	(73)			**11**	13
Total gaming operations	**7 113**	4 630	**2 886**	1 833	**40.6**	39.6	**479**	302
South African hotels division[3]	**1 625**	1 617	**512**	560	**31.5**	34.6	**129**	134
Offshore hotels division	**324**	271	**101**	68	**31.2**	24.9	**12**	8
Pre-foreign exchange gains/(losses)			***88***	*75*	***27.2***	*27.6*		
Foreign exchange gains/(losses)			***13***	*(7)*				
Corporate	**(31)**	(31)	**2**	16			**3**	3
Group	**9 031**	6 487	**3 501**	2 477	**38.8**	38.2	**623**	447

(1) *Refer note 6*

(2) *All casino units are reported pre-internal gaming management fees*

(3) *Includes R31 million (2011: R31 million) inter-group management fees*

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	
	2012 Rm	2011 Rm	**2012 Rm**	2011 Rm
Gaming operations	**48**	74	**396**	293
South African hotels division	**–**	50	**317**	70
Offshore hotels division	**122**	125	**23**	10
Corporate	**–**	–	**1**	–
Group	**170**	249	**737**	373

8. Revenue

	2012 Rm	2011 Rm
Rooms revenue	**1 615**	1 591
Food and beverage revenue	**752**	677
Management fees earned	**83**	93
Theme Park revenue	**82**	6
Sandton Convention Centre revenue	**65**	69
Rentals received	**105**	62
Other revenue	**218**	185
	2 920	2 683

9. Gaming levies and VAT

	2012 Rm	2011 Rm
Gaming taxes	**558**	344
VAT	**690**	425
Other	**–**	4
	1 248	773

10. Property and equipment rentals

	2012 Rm	2011 Rm
Properties	**190**	171
Plant, vehicles and equipment	**49**	40
	239	211

11. Amortisation and depreciation

	2012 Rm	2011 Rm
Amortisation of intangible assets		
Bid costs	**14**	14
Trademark	**1**	–
Casino licences	**1**	–
Computer software	**37**	30
	53	44
Depreciation		
Owned assets		
Properties	**87**	106
Plant, vehicles and equipment	**471**	293
	558	399
Leased assets		
Properties	**12**	4
Total depreciation	**570**	403
Total amortisation and depreciation	**623**	447

12. Employee costs

	2012 Rm	2011 Restated Rm
Employee costs (including directors' remuneration):		
Salaries and wages	**1 934**	1 383
Pension – defined contribution plans	**126**	98
Other post-retirement benefits – medical aid	**1**	(1)
Long-term incentive expense/(credit) – cash-settled	**54**	(13)
Long-term incentive charges – equity-settled	**1**	–
	2 116	1 467

13. Other operating expenses

	2012 Rm	2011 Rm
Other operating expenses comprise the following:		
Auditors' remuneration	**23**	16
Audit fees – current year	**22**	12
Tax services	**–**	1
Other services and expenses	**1**	3
Administration fees	**1**	2
Advertising, marketing and promotional costs	**359**	309
External consultants	**30**	35
Food and beverage costs and operating equipment usage	**285**	271
Impairment charge for bad and doubtful debts	**9**	10
Information technology related costs	**26**	30
Net foreign exchange (gains)/losses	**(13)**	7
Property costs – rates, water and electricity	**361**	258
Repairs and maintenance expenditure on property, plant and equipment	**288**	208
Rooms departmental expenses	**130**	120
Security and surveillance costs	**98**	60
Other operating expenses	**575**	399
Gain on disposal of property, plant and equipment	**(3)**	(6)
Impairment of plant and equipment	**–**	11
Impairment of investment in joint venture	**2**	–
Impairment of financial instruments	**43**	4
Fair value (gain)/loss on revaluation of previously held interest in associate	**(179)**	299
Write-back of contingent purchase consideration	**(248)**	–
Restructuring costs	**–**	11
Transaction costs on acquisition of Gold Reef	**–**	93
	1 787	2 137

14. Interest income

	2012 Rm	2011 Rm
Interest received from banks and collective investment institutions	**42**	14
Interest received from non-controlling interests	**6**	9
Interest income – other	**1**	1
	49	24

15. Finance costs

	2012 Rm	2011 Rm
Finance costs in respect of interest-bearing debt	**364**	331
Preference dividends	**70**	77
Interest on finance leases	**7**	6
Finance costs – other	**28**	4
Less: Interest capitalised at an average capitalisation rate of nil (2011: 9.3%)	**–**	(3)
	469	415

16. Income tax expense

	2012 Rm	2011 Restated Rm
Current tax – current year	**651**	427
Current tax – under/(over) provision prior year	**7**	(29)
Deferred tax – current year	**8**	6
Deferred tax – under provision prior year	**7**	10
STC	**82**	12
Withholding taxes	**6**	4
Capital Gains Tax	**–**	1
	761	431

	2012		2011 Restated	
Income tax rate reconciliation	**Rm**	**%**	Rm	%
Profit before income tax and share of profit of associates and joint ventures	**2 598**		1 061	
Income tax thereon at 28% (2011: 28%)	**727**	**28.0**	297	28.0
Disallowed expenditure	**64**	**2.5**	136	12.8
Exempt income	**(123)**	**(4.7)**	(4)	(0.4)
Prior year charges	**14**	**0.5**	(19)	(1.8)
STC	**82**	**3.2**	12	1.1
Withholding taxes	**6**	**0.2**	4	0.4
Capital Gains Tax	**–**	**–**	1	0.1
Tax on imputed income	**1**	**–**	3	0.3
Foreign tax rate differential	**(10)**	**(0.4)**	1	0.1
	761	**29.3**	431	40.6

17. Dividends declared

	2012 Rm	2011 Rm
Final declared on 19 May 2011, paid on 13 June 2011 (50 cents per share)	**548**	–
Interim declared on 17 November 2011, paid on 12 December 2011 (20 cents per share)	**221**	–
	769	–

18. Property, plant and equipment

	Land and buildings Rm	Leased land and buildings Rm	Properties under construction Rm	Plant and equipment Rm	Total Rm
2012					
Net book amount at 1 April 2011	**5 685**	**483**	**36**	**1 895**	**8 099**
Additions	**258**	**1**	**163**	**271**	**693**
Subsidiary previously accounted for as an associate	**283**	**–**	**–**	**40**	**323**
Disposals	**–**	**–**	**–**	**(10)**	**(10)**
Depreciation charge	**(87)**	**(12)**	**–**	**(471)**	**(570)**
Transfers	**28**	**(16)**	**(98)**	**85**	**(1)**
Currency translation	**26**	**–**	**–**	**8**	**34**
Net book amount at 31 March 2012	**6 193**	**456**	**101**	**1 818**	**8 568**
Cost	**6 922**	**631**	**101**	**3 457**	**11 111**
Accumulated depreciation	**(729)**	**(175)**	**–**	**(1 639)**	**(2 543)**
Net book amount at 31 March 2012	**6 193**	**456**	**101**	**1 818**	**8 568**

	Land and buildings Rm	Leased land and buildings Rm	Properties under construction Rm	Plant and equipment Rm	Total Rm
2011					
Net book amount at 1 April 2010	3 472	338	508	1 265	5 583
Additions	132	–	20	187	339
Capitalisation of borrowing costs	–	–	3	–	3
Acquisition of subsidiaries	1 767	150	–	700	2 617
Disposals	(6)	–	–	(2)	(8)
Depreciation charge	(106)	(4)	–	(293)	(403)
Impairments	–	(1)	–	(10)	(11)
Transfers	439	–	(495)	51	(5)
Currency translation	(13)	–	–	(3)	(16)
Net book amount at 31 March 2011	5 685	483	36	1 895	8 099
Cost	6 329	629	36	4 475	11 469
Accumulated depreciation	(644)	(146)	–	(2 580)	(3 370)
Net book amount at 31 March 2011	5 685	483	36	1 895	8 099

There were no significant changes made to useful lives or residual values of property, plant and equipment during the year.

Details of freehold land are recorded in the registers held by the company and its subsidiaries and may be inspected by the members or their duly appointed agents at the company's registered office.

Bank borrowings (refer note 31) are secured over the following assets:	**2012 Net book amount Rm**	2011 Net book amount Rm
Land and buildings	**3 501**	3 703
Plant and equipment	**1 116**	1 374
	4 617	5 077

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

19. Goodwill

	2012 Rm	2011 Rm
At 1 April	**1 856**	1 535
Arising on acquisition of subsidiaries[1]	**253**	321
At 31 March	**2 109**	1 856

Impairment test for goodwill

Goodwill is allocated to the group's CGUs identified according to business segment.

An operating segment-level summary of the goodwill allocation is presented below:

	2012 Rm	2011 Rm
Montecasino	**260**	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
Caledon	**175**	175
Mykonos	**17**	17
South African hotels [1]	**347**	94
Offshore hotels	**23**	23
	2 109	1 856

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:

	2012			2011		
	Ebitdar margin %	**Long-term growth rate %**	**Discount rate pre-tax %**	Ebitdar margin %	Long-term growth rate %	Discount rate pre-tax %
Montecasino	**34.4**	**6.0**	**11.6**	33.7	6.0	10.8
Suncoast	**40.5**	**6.0**	**11.6**	41.5	6.0	10.8
Gold Reef City	**30.4**	**6.0**	**11.6**	35.7	7.0	12.1
Silverstar	**37.4**	**6.0**	**11.6**	37.3	7.0	12.1
Other gaming operations[2]	**34.0**	**6.0**	**11.6**	37.1	6.0	11.1
South African hotels	**31.5**	**6.0**	**10.0**	34.8	6.0	11.5
Offshore hotels	**27.2**	**6.0**	**10.0**	32.4	6.0	10.5

Based on the above calculations, the group has not identified any impairments to goodwill for any of the CGUs.

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.

[1] The goodwill allocation for these acquisitions during the year under review is provisional pending finalisation of the post acquisition review (refer note 48.3)

[2] Includes the balance of the group's casinos

20. Other intangible assets

	Casino licences Rm	Bid costs Rm	Computer software Rm	Trademarks Rm	Total Rm
2012					
Net book amount at 1 April 2011	**4 075**	**49**	**87**	**10**	**4 221**
Additions	**–**	**29**	**15**	**–**	**44**
Fair value of shares issued by subsidiary to non-controlling interests	**20**	**–**	**–**	**–**	**20**
Transfers	**–**	**–**	**1**	**–**	**1**
Amortisation charge	**(1)**	**(14)**	**(37)**	**(1)**	**(53)**
Net book amount at 31 March 2012	**4 094**	**64**	**66**	**9**	**4 233**
Cost	**4 095**	**201**	**241**	**12**	**4 549**
Accumulated amortisation	**(1)**	**(137)**	**(175)**	**(3)**	**(316)**
Net book amount at 31 March 2012	**4 094**	**64**	**66**	**9**	**4 233**
Remaining lives of intangible assets	**15 years to indefinite**	**1 – 15 years**	**1 – 10 years**	**19 years**	

	Casino licences Rm	Bid costs Rm	Computer software Rm	Trademarks Rm	Total Rm
2011					
Net book amount at 1 April 2010	–	54	77	10	141
Additions	–	6	25	–	31
Acquisition of subsidiaries	4 075	–	14	–	4 089
Disposals	–	–	(1)	–	(1)
Transfers	–	3	2	–	5
Amortisation charge	–	(14)	(30)	–	(44)
Net book amount at 31 March 2011	4 075	49	87	10	4 221
Cost	4 075	178	229	12	4 494
Accumulated amortisation	–	(129)	(142)	(2)	(273)
Net book amount at 31 March 2011	4 075	49	87	10	4 221
Remaining lives of intangible assets	Indefinite	1 – 6 years	1 – 10 years	20 years	

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

During the year under review, a subsidiary of the group, Tsogo Sun Emonti (Pty) Limited, issued additional shares to Black Economic Empowerment non-controlling interests with effect from 26 September 2011 for nil consideration. The benefit of R20 million, which is amortised over a period of fifteen years, was accounted for in accordance with IFRS 2 *Share-based Payment* and the intangible asset was capitalised to casino licences as the costs are directly attributable to the re-awarding of the casino licence to Tsogo Sun Emonti (Pty) Limited by the Mpumalanga Gaming Board. This effectively diluted the group's interest from 80% to 65%.

The R20 million weighted average fair value of the shares issued during the year was determined using the discounted cash flow model, excluding dividends, over a period of fifteen years. The significant inputs to the model were:
- average revenue growth rate of 8.0%;
- average Ebitdar growth rate of 7.0%;
- risk adjusted cost of equity of 17.6%; and
- weighted average cost of capital of 15.5%.

Other casino licences, which have also been separately recognised, relate to the casinos on the reverse acquisition of Gold Reef during the year ended 31 March 2011, and these have indefinite useful lives.

Casino licences are made up as follows:	Rm
Gold Reef City	1 725
Silverstar	1 072
Golden Horse	554
Garden Route	252
Goldfields	258
Mykonos	214
Hemingways	19
	4 094

Refer note 19 for assumptions used in impairment testing.

20. Other intangible assets *continued*

Bank borrowings (refer note 31) are secured over the following intangible assets:	**2012 Net book amount Rm**	2011 Net book amount Rm
Trademarks	**9**	9
Computer software	**30**	63
	39	72

21. Investments in associates

	2012 Rm	2011 Rm
Unlisted		
At 1 April	**116**	1 583
Associates acquired as part of subsidiary acquisition	**–**	20
Fair value gain/(loss) on revaluation of previously held interest in associate	**179**	(299)
Associate now accounted for as a subsidiary	**(239)**	(1 219)
Impairment of associate	**(18)**	–
Loans granted	**2**	6
Share of profit after tax and non-controlling interests of associates	**13**	81
Dividends received	**(5)**	(56)
At 31 March	**48**	116
Capital		
Hotel Formula 1 (Pty) Limited	**–**	45
Monte Cinemas (Pty) Limited	**25**	24
TMCTS Management Company (Pty) Limited	**11**	11
Three Groups Cinemas (Pty) Limited	**3**	3
Lukhanji Leisure (Pty) Limited	**–**	–
Richtrau 292 (Pty) Limited	**–**	–
Other	**–**	5
	39	88
Loans		
TMCTS Management Company (Pty) Limited	**1**	1
Lukhanji Leisure (Pty) Limited	**–**	20
Richtrau 292 (Pty) Limited	**8**	7
	9	28
Total investment	**48**	116

The group has the following interests in its principal associates:

- on 29 March 2012 Hotel Formula 1 (Pty) Limited ceased to be an associate following the acquisition by the group of the balance of shares held by outside interests (refer note 48.3);
- 49% in Monte Cinemas (Pty) Limited;
- 50% in TMCTS Management Company (Pty) Limited. The loan to TMCTS Management Company (Pty) Limited is unsecured, interest free and has no fixed terms of repayment;
- 25% in Three Groups Cinemas (Pty) Limited;
- 25.1% in Lukhanji Leisure (Pty) Limited. The loan to Lukhanji Leisure (Pty) Limited bears interest at prime plus 1%. The group has subordinated this loan for the benefit of other creditors, limited to an amount of R18 million. The loan of R18 million was fully impaired during the current year due to the associate's continuing trading losses and it is not considered to be immediately recoverable; and
- 25% in Richtrau 292 (Pty) Limited. The loan to Richtrau 292 (Pty) Limited is unsecured, interest free and has no fixed terms of repayment.

Other than as described above, the above loans are not impaired and the group does not hold any collateral as security.

21. Investments in associates continued

	2012 Rm	2011 Rm
The group's interest in its principal associates was as follows:		
Total assets	**192**	428
Total liabilities	**(219)**	(243)
Net (liabilities)/assets	**(27)**	185
The group's share of associates' net assets	**5**	102
Revenue	**250**	2 320
Profit for the year	**22**	300
The group's share of associates' profit for the year	**13**	81
The group's share of associates' contingent liabilities	**–**	5

The above associates are all incorporated in South Africa.

Associates are equity accounted using management prepared information on a basis coterminous with the group's accounting reference date, with the exception of Hotel Formula 1 (Pty) Limited which has a 31 December year end.

22. Investments in joint ventures

	2012 Rm	2011 Rm
Unlisted		
At 1 April	**133**	127
Joint venture acquired as part of subsidiary acquisition	**–**	8
Loans granted	**7**	–
Impairment of joint venture	**(15)**	–
Share of loss after tax and non-controlling interests of joint ventures	**(3)**	(2)
At 31 March	**122**	133
Capital		
United Resorts and Hotels Limited	**122**	125
Indol (Pty) Limited	**–**	2
	122	127
Loan		
Indol (Pty) Limited	**–**	6
Total investment	**122**	133

The group has the following significant interests in joint ventures:

- 50% in United Resorts and Hotels Limited, a hotel company established in Seychelles; and
- 50% in Indol (Pty) Limited, a gaming and leisure company established in Botswana.

The investment in Indol (Pty) Limited and loan to this joint venture, which is interest free, was fully impaired during the year. It is not considered to be immediately recoverable as the awarding of the casino licence is uncertain. The investment in United Resorts and Hotels Limited is not impaired. The group does not hold any collateral or security.

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:

	2012 Rm	2011 Rm
Non-current assets	**148**	265
Current assets	**40**	46
Non-current liabilities	**(43)**	(213)
Current liabilities	**(37)**	(13)
The group's share of joint ventures' losses for the year:		
Income	**36**	30
Less: Expenses	**(39)**	(32)
Net loss	**(3)**	(2)

23. Non-current receivables

	2012 Rm	2011 Rm
At amortised cost		
Financial instruments		
Loans to non-controlling interests	–	99
Loan to the Central Bank of Seychelles	3	6
Loans to development trusts	1	11
JIA Piazzapark (Pty) Limited loan	2	2
Prepayments	19	16
Less: Provision for impairment of receivables	(3)	(4)
	22	130
Non-financial instruments		
Prepayments	32	22
	54	152

Loans to non-controlling interests of R99 million, which were entered into on 30 May 2006, were repaid during the year under review.

The loan to the Central Bank of Seychelles was renegotiated in the prior year 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 R4 million was received during the current year in terms of the revised contract terms.

Loans to development trusts are interest free, unsecured and have no specified terms of repayment.

The JIA Piazzapark (Pty) Limited loan 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.

Prepayments comprise mainly prepaid rental on a subsidiary of the group's property lease which is amortised over the period of the lease (this is considered refundable), and borrowing costs which include all finance costs incurred on borrowing instruments together with related costs of debt raisings and facilities management that are amortised through borrowing costs over the life of the related facilities.

The maximum exposure to credit risk at the reporting date is the fair 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 financial assets in 2012 or 2011.

Non-current receivable financial assets are denominated in the following currencies:	2012 Rm	2011 Rm
SA Rand	35	133
US Dollar	19	19
	54	152

24. Deferred income tax

	2012 Rm	2011 Restated Rm	2010 Restated Rm
The gross movements on the deferred tax account are as follows:			
Net deferred tax liability at 1 April	1 347	120	85
Acquisition of subsidiaries	48	65	16
Deferred tax liability recognised on casino licences	–	1 134	–
Income statement charge	15	16	18
Deferred tax on cash flow hedge through other comprehensive income	(7)	12	(2)
Currency translation	–	–	3
Net deferred tax liability at 31 March	1 403	1 347	120

24. Deferred income tax continued

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
Deferred tax liabilities							
Restated deferred tax liability at 31 March 2009	221	6	(61)	(12)	–	–	154
Acquisition of subsidiaries	3	19	(2)	–	–	–	20
Income statement charge	20	–	51	(1)	–	–	70
Currency translation	3	–	–	–	–	–	3
Restated deferred tax liability at 31 March 2010	247	25	(12)	(13)	–	–	247
Acquisition of subsidiaries	91	2	(13)	–	(3)	–	77
Deferred tax liability recognised on casino licences	1 134	–	–	–	–	–	1 134
Income statement charge	(31)	(8)	31	7	13	–	12
Restated deferred tax liability at 31 March 2011	1 441	19	6	(6)	10	–	1 470
Acquisition of subsidiaries	**48**	**–**	**–**	**–**	**–**	**–**	**48**
Income statement charge	**7**	**89**	**(96)**	**1**	**2**	**–**	**3**
Deferred tax asset on cash flow hedge through other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(4)**	**(4)**
Deferred tax liability at 31 March 2012	**1 496**	**108**	**(90)**	**(5)**	**12**	**(4)**	**1 517**
Deferred tax assets							
Restated deferred tax asset at 31 March 2009	(68)	(3)	105	5	15	15	69
Acquisition of subsidiaries	–	–	–	–	4	–	4
Income statement charge	8	(2)	49	3	(6)	–	52
Deferred tax asset on cash flow hedge through other comprehensive income	–	–	–	–	–	2	2
Restated deferred tax asset at 31 March 2010	(60)	(5)	154	8	13	17	127
Acquisition of subsidiaries	1	6	4	–	1	–	12
Income statement charge	17	5	(40)	(3)	17	–	(4)
Deferred tax asset on cash flow hedge through other comprehensive income	–	–	–	–	–	(12)	(12)
Restated deferred tax asset at 31 March 2011	(42)	6	118	5	31	5	123
Income statement charge	**(3)**	**(1)**	**5**	**–**	**(13)**	**–**	**(12)**
Deferred tax asset on cash flow hedge through other comprehensive income	**–**	**–**	**–**	**–**	**–**	**3**	**3**
Deferred tax asset at 31 March 2012	**(45)**	**5**	**123**	**5**	**18**	**8**	**114**
Total net deferred tax liability/ (asset)	**1 541**	**103**	**(213)**	**(10)**	**(6)**	**(12)**	**1 403**

Deferred income 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 R25 million (2011: R77 million) mainly incurred by Tsogo Sun One Monte (Pty) Limited, Gold Reef City Theme Park (Pty) Limited and Southern Sun Hotels (Tanzania) Limited.

25. Long-term incentive plans

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

25.1 Share-based payments – Gold Reef Share Scheme

	2012	2011
	Rm	Rm
Amounts due by share scheme participants	**19**	17

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 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 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 option vests with the employees. Any dividends paid on those shares are utilised to reduce the balance owing by the employees.

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

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

	2012		2011	
	Number of shares	**Average price R**	Number of shares	Average price R
Awards/options at 1 April	**2 245 423**	**16**	–	–
On acquisition of subsidiary	**–**	**–**	2 245 423	16
Lapsed	**(116 572)**	**16**	–	–
Exercised and delivered	**(247 095)**	**16**	–	–
Awards/options at 31 March	**1 881 756**	**16**	2 245 423	16

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 R1 million (2011: R0.2 million). This cost is included in "Employee costs" on the face of the income statement. In 2011, a further R2 million was expensed due to accelerated vesting of options on conclusion of the reverse acquisition transaction. This was included in the Gold Reef transaction costs.

25.2 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 nil to three 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

25. Long-term incentive plans continued

25.2 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:				
1 April 2011	**1 532 418**	**17**	**315 854**	**381 001**
Granted	**971 685**	**18**	**171 142**	**194 824**
Forfeited	**(170 407)**	**19**	**(89 680)**	**(90 543)**
Exercised	**(60 972)**	**18**	**(8 418)**	**(9 756)**
Expired	**(25 550)**	**18**	**(999)**	**(4 088)**
31 March 2012	**2 247 174**	**17**	**387 899**	**471 438**
Units exercisable at 31 March 2012	**209 648**			
Number of employees granted units	**132**			
Number of employees remaining at year end	**125**			

	Share appreciation units	Average strike price R	Bonus units	Performance units
Cash-settled in units at:				
1 April 2010	–	–	–	–
On acquisition of subsidiary	1 532 418	17	315 854	381 001
31 March 2011	1 532 418	17	315 854	381 001
Units exercisable at 31 March 2011	–			
Number of employees granted units	122			
Number of employees remaining at year end	105			

	Share appreciation units	Bonus units	Performance units
Grant date	21 February 2011	21 February 2011	21 February 2011
Valuation date	31 March 2012	31 March 2012	31 March 2012
Share price at valuation date	R18.00	R18.00	R18.00
Vesting period	3 – 5 years	3 years	3 years
Settlement	Cash	Cash	Cash

	Share appreciation units	Bonus units	Performance units
Grant date	26 March 2010	26 March 2010	26 March 2010
Valuation date	31 March 2012	31 March 2012	31 March 2012
Share price at valuation date	R18.00	R18.00	R18.00
Vesting period	3 – 5 years	3 years	3 years
Settlement	Cash	Cash	Cash

	Share appreciation units	Bonus units	Performance units
Grant date	20 March 2009	20 March 2009	20 March 2009
Valuation date	31 March 2012	31 March 2012	31 March 2012
Share price at valuation date	R18.00	R18.00	R18.00
Vesting period	3 – 5 years	3 years	3 years
Settlement	Cash	Cash	Cash

The group recognised an expense of R3 million (2011: R1 million) related to the bonus appreciation plan during the year, and at 31 March 2012 the group had recorded liabilities of R8 million (2011: R6 million) in respect of this plan. The current portion of this liability is R2 million (2011: R nil).

There are no units allocated to, nor are any units currently held by, directors of the company.

25. Long-term incentive plans *continued*

25.3 The 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 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.

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

	Appreciation units granted and still outstanding		**Strike price***	**Appreciation units vested and still outstanding**			**Liability**	Liability
Grant date	**2012**	2011	**R**	**2012**	2011	**Expiry date**	**2012 Rm**	2011 Rm
1 April 2005	**275 165**	297 805	8.08	**275 165**	297 805	31 March 2013	**10**	8
1 April 2006	**1 232 789**	1 232 789	13.49	**1 232 789**	1 232 789	31 March 2014	**23**	11
1 April 2007	**400 964**	405 214	19.87	**400 964**	202 607	31 March 2015	**–**	–
1 April 2008	**1 018 678**	1 018 678	21.10	**1 018 678**	1 018 678	31 March 2014	**–**	–
1 April 2009	**1 286 110**	1 332 708	15.10	**1 286 110**	–	31 March 2015	**17**	3
1 April 2010	**2 030 228**	2 048 888	15.08	**–**	–	31 March 2016	**17**	2
1 April 2011	**5 893 094**	–	15.06	**–**	–	31 March 2017	**7**	–
1 October 2011	**1 890 337**	–	18.78	**–**	–	30 September 2017	**–**	–
Provision at 31 March							74	24
Share price at 31 March (R)							18.00	16.00

* *Grants prior to merger converted based on swap ratio of 3.553 Gold Reef shares for each TSH share*

The group recognised an expense of R50 million (2011: R14 million credit) related to this bonus appreciation plan during the year, and at 31 March 2012 the group had recorded liabilities of R74 million (2011: R24 million) in respect of this plan. The current portion of this liability is R50 million (2011: R19 million).

25.4 Total long-term incentive liabilities

	2012 Rm	2011 Rm
Cash-settled, share-based long-term incentive plan (refer note 25.2)	**8**	6
The Tsogo Sun Share Appreciation Bonus Plan (refer note 25.3)	**74**	24
	82	30
Less: Current portion	**(52)**	(19)
Non-current portion	**30**	11

26. Inventories

	2012 Rm	2011 Rm
Food and beverage	**27**	25
Operating equipment	**123**	122
Consumable stores	**26**	24
	176	171

The cost of inventories recognised as an expense and included in other operating expenses amounted to R285 million (2011: R271 million).

27. Trade and other receivables

	2012 Rm	2011 Rm
Financial instruments		
Trade receivables	**229**	206
Management fee receivables	**9**	9
Marketing fees receivable	**20**	9
Other receivables	**93**	110
Less: Provision for impairment of receivables	**(13)**	(17)
Trade and other receivables – net	**338**	317
Umgeni River Bird Park (Pty) Limited	**10**	10
Less: Provision for impairment	**(10)**	(10)
Umgeni River Bird Park (Pty) Limited – net	**–**	–
Non-financial instruments		
Prepayments	**69**	66
	407	383

The above values approximate fair value.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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.

Past due but not impaired – trade receivables

At 31 March 2012, trade receivables of R79 million (2011: R57 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:

	2012 Rm	2011 Rm
30 to 60 days	**55**	43
60 to 90 days	**8**	5
More than 90 days	**16**	9
	79	57

Impairment – trade receivables

At 31 March 2012, trade receivables of R13 million (2011: R15 million) were impaired. The amount of the provision was R13 million as at 31 March 2012 (2011: R15 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:

	2012 Rm	2011 Rm
At 1 April	**15**	13
Provision for receivables impairment	**9**	8
Receivables written off during the year as uncollectible	**(7)**	(5)
Unused amounts reversed	**(4)**	(1)
At 31 March	**13**	15

27. Trade and other receivables continued

	2012 Rm	2011 Rm

Past due but not impaired – other receivables
At 31 March 2012, other receivables of R44 million (2011: R33 million) were past due but not impaired. These relate mainly to banqueting debtors and vending commission. The ageing analysis of these other receivables is as follows:

	2012 Rm	2011 Rm
Up to 3 months	**8**	8
3 to 6 months	**3**	2
More than 6 months	**33**	23
	44	33

Impairment – other receivables
At 31 March 2012, other receivables of R nil (2011: R2 million) were impaired. The amount of the provision was R nil as at 31 March 2012 (2011: R2 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:

	2012 Rm	2011 Rm
At 1 April	**2**	1
Provision for receivables impairment	**–**	1
Unused amounts reversed	**(2)**	–
At 31 March	**–**	2

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 value of the loan to Umgeni River Bird Park (Pty) Limited has been impaired in full because the company has ceased operations and the carrying value may not be realised. The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

	2012 Rm	2011 Rm
SA Rand	**324**	320
US Dollar	**53**	37
United Arab Emirates Dirham	**8**	2
Tanzanian Shilling	**6**	1
Euro	**5**	9
Zambian Kwacha	**5**	7
Mozambican Metical	**3**	4
Seychelles Rupee	**2**	1
Kenyan Shilling	**1**	2
	407	383

28. Cash and cash equivalents

	2012 Rm	2011 Rm
Current accounts	**262**	436
Call and fixed deposit accounts	**1 104**	446
Cash	**77**	74
Net cash and cash equivalents per cash flow statement	**1 443**	956

Certain of the group's bank accounts have been pledged as security for the group's borrowings (refer note 31).

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

Cash and cash equivalents are denominated in the following currencies:

	2012 Rm	2011 Rm
SA Rand	**1 241**	823
US Dollar	**140**	61
Euro	**52**	58
Mozambican Metical	**4**	4
Kenyan Shilling	**3**	4
United Arab Emirates Dirham	**2**	2
Zambian Kwacha	**1**	3
Other currencies	**–**	1
	1 443	956

29. 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 2010 [1]	888 261 028	–	888 261 028	*	1 074	–	1 074
Share capital arising on reverse acquisition	292 343 897	(83 666 029)	208 677 868	4	3 673	–	3 677
At 1 April 2011	1 180 604 925	(83 666 029)	1 096 938 896	4	4 747	–	4 751
Issue of shares	**2 161 063**	**(2 161 063)**	**–**	*****	**35**	**(35)**	**–**
Share options exercised	**–**	**164 730**	**164 730**	**–**	**–**	**3**	**3**
At 31 March 2012	**1 182 765 988**	**(85 662 362)**	**1 097 103 626**	**4**	**4 782**	**(32)**	**4 754**

The total authorised number of ordinary shares is 1 200 000 000 (2011: 1 200 000 000) with a par value of 2 cents per share (2011: 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 South African Companies Act and the JSE Listings Requirements.

(1) *The number of ordinary shares in issue for 2010 has been restated to reflect the shares issued to TSH's shareholders by Gold Reef in terms of the exchange agreement in respect of the reverse acquisition of Gold Reef*

* *Amounts less than R1 million*

30. Other reserves

	Transactions with non-controlling interests Rm	Cash flow hedge reserve Rm	Foreign currency translation reserve Rm	Total Rm
At 1 April 2010	–	(44)	51	7
Cash flow hedges:	–	30	–	30
Fair value gains during the year	–	42	–	42
Deferred tax on fair value gains	–	(12)	–	(12)
Currency translation adjustments	–	–	(24)	(24)
At 31 March 2011	–	(14)	27	13
Cash flow hedges:	**–**	**(20)**	**–**	**(20)**
Fair value losses during the year	**–**	**(25)**	**–**	**(25)**
Deferred tax on fair value losses	**–**	**7**	**–**	**7**
Close out of cash flow hedge	**–**	**(2)**	**–**	**(2)**
Currency translation adjustments	**–**	**–**	**42**	**42**
Acquisition of non-controlling interests	**(265)**	**–**	**–**	**(265)**
At 31 March 2012	**(265)**	**(34)**	**69**	**(230)**

31. Interest-bearing borrowings

	2012 Rm	2011 Rm
(Excluding leases and preference share capital and premium)		
At amortised cost		
Bank borrowings	**4 543**	3 953
Non-controlling interests	**32**	99
	4 575	4 052
Less: Current portion	**(1 373)**	(1 238)
Long and medium-term borrowings	**3 202**	2 814
Secured	**4 543**	3 953
Unsecured	**32**	99
	4 575	4 052
The maturity of borrowings is as follows:		
Not later than 1 year	**1 373**	1 238
Later than 1 year and not later than 5 years	**1 423**	2 369
Later than 5 years	**1 779**	445
	4 575	4 052
The following represents the book amount of the security for these borrowings:		
Property, plant and equipment (refer note 18)	**4 617**	5 077
Intangible assets (refer note 20)	**39**	72
Pledge of cash in bank accounts (refer note 28)	**946**	516
Cession of Tsogo Sun shares (treasury shares)	**411**	365
Other assets	**–**	12
	6 013	6 042

Loans from non-controlling interests shown above at 31 March 2012 comprise advances from non-controlling interests in a subsidiary, Tsogo Sun Emonti (Pty) Limited. This loan bears interest at the publicly-quoted Nedbank money market deposit rate of interest as reset at each interest period roll-over date, and is repayable from any excess cash available as determined by the board of directors of Tsogo Sun Emonti (Pty) Limited. The prior year's loan from non-controlling interests in Ripple Effect 31 (Pty) Limited, also a subsidiary of the group, was acquired by the group with effect from 30 November 2011 (refer note 48.2) and has been eliminated on consolidation with effect from that date.

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

The carrying amounts of the group's borrowings are denominated in SA Rand.

The group has the following committed direct facilities (from banks and non-controlling interest lenders):	2012 Rm	2011 Rm
Expiring within 1 year	**1 678**	1 960
Expiring beyond 1 year	**4 001**	3 614
	5 679	5 574
The undrawn facility of the committed direct bank borrowings amounted to R1 104 million (2011: R1 522 million).		
Weighted average effective interest rates – excluding leases and preference share capital and premium (%)	**9.58**	9.57

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

Analysis of long and medium-term borrowings	Carrying amount 2012 Rm	Carrying amount 2011 Rm	Fair value 2012 Rm	Fair value 2011 Rm
Bank borrowings	**3 170**	2 814	**3 231**	2 779
Non-controlling interests	**32**	–	**32**	–
	3 202	2 814	**3 263**	2 779

The fair values of long and medium-term borrowings are based on cash flows discounted using commensurate variable rates chargeable by the lenders of the above loans ranging between 5.88% and 8.38% (2011: 7.10% and 8.40%). All borrowings bear interest at floating rates (refer note 4.1 a(ii)).

32. Preference share capital and premium

	2012 Rm	2011 Rm
At amortised cost		
By subsidiary companies:		
10 000 redeemable cumulative shares of R0.001 each	*	*
Premium of R99 999.999 per share	**1 000**	1 000
	1 000	1 000

10 000 redeemable cumulative preference shares of R0.001 each at a premium of R99 999.999 were subscribed for on 4 November 2010. Dividends accrue on a monthly basis at rates linked to the prime overdraft rate. Dividends are declared and paid out quarterly. The preference shares are redeemable by 31 March 2014. The group is entitled, but not obliged, on not less that five days' prior written notice to that effect given to the holders of the preference shares to redeem all or any of the preference shares for the redemption amount provided that various conditions apply.

Preference share capital and premium are denominated in SA Rand.

The fair value of preference share capital and premium equals the carrying amount. The fair values are based on cash flows discounted using a rate based on the year end borrowing rate of 6.62% (2011: 6.62%).

** Amounts less than R1 million*

33. Obligations under finance leases

	2012 Rm	2011 Rm
Total liability	**52**	58
Less: Current portion	**(9)**	(6)
Non-current portion	**43**	52
The minimum lease payments under the lease liabilities are due as follows:		
Not later than 1 year	**15**	13
Later than 1 year and not later than 5 years	**51**	63
Later than 5 years	**–**	2
	66	78
Future finance charges on finance leases	**(14)**	(20)
Present value of finance lease liabilities	**52**	58
The present value of finance lease liabilities is as follows:		
Not later than 1 year	**9**	6
Later than 1 year and not later than 5 years	**43**	50
Later than 5 years	**–**	2
	52	58

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 12.14% 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 R52 million (2011: R54 million) are included in note 18 which have been pledged as security over these leases.

34. Derivative financial instruments

	2012 Rm	2011 Rm
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 twelve months, and as a current asset or liability if the maturity of the hedging instrument is less than twelve 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.		
Interest rate swaps – cash flow hedges:		
Tsogo Sun (Pty) Limited	**33**	35
Silverstar Casino (Pty) Limited	**14**	19
Net liabilities	**47**	54
Less: Current portion	**(38)**	(72)
Non-current portion liability/(asset)	**9**	(18)

The notional amounts of the outstanding interest rate swap contracts for Tsogo Sun (Pty) Limited at 31 March 2012 were:
R nil (2011: R300 million) with a fixed rate of 10.91%;
R600 million (2011: R600 million) with a fixed rate of 8.22%;
R600 million (2011: R600 million) with a fixed rate of 8.77%; and
R450 million (2011: R450 million) with a fixed rate of 6.49%.

In addition to the above, further forward starting interest rate swaps have been contracted, with the following profiles:
R750 million (2011: R750 million), commencing 28 September 2012, with a fixed rate of 7.23%; and
R800 million (2011: R nil), commencing 31 March 2014, with a fixed rate of 7.68%.

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

The notional amount of the outstanding interest rate swap contract for Silverstar Casino (Pty) Limited at 31 March 2012 was R885 million (2011: R976 million) with a fixed rate of 7.22%, excluding credit and liquid margins. 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 Resorts Provident Fund and the Gold Reef Resorts 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 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.

	2012 Rm	2011 Rm
Present value of funded obligations	**37**	37
Fair value of plan assets	**(25)**	(24)
	12	13
Unrecognised actuarial losses	**5**	3
Unrecognised past service costs	**6**	6
Liability per the balance sheet	**23**	22
The movement in the defined benefit obligation is as follows:		
At 1 April	**37**	35
Current service cost	**–**	1
Interest cost	**3**	3
Actuarial gain	**(1)**	–
Expected employer benefit payments	**(2)**	(2)
At 31 March	**37**	37
The movement in the fair value of plan assets is as follows:		
At 1 April	**(24)**	(24)
Expected return on plan assets	**(2)**	(3)
Actuarial (loss)/gain	**(1)**	1
Expected benefit payments from plan assets	**2**	2
At 31 March	**(25)**	(24)

The assets of the medical aid scheme comprise cash for both 2012 and 2011 with values of R25 million (2011: R24 million).

The expected long-term rate of return on medical aid assets is 9.25% (2011: 10.00%). This is determined by using a standard 1% margin on the assumed rate of discount. The discount rate of 8.25% 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.

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.

No contributions are expected to be paid into the group's defined benefit scheme during the annual period after 31 March 2012 (2011: R nil).

The amounts recognised in the income statement under employee costs are as follows:

	2012 Rm	2011 Rm
Current service cost	**–**	1
Interest on obligation	**3**	3
Expected return on plan assets	**(2)**	(3)
Net actuarial gain	**–**	(2)
Total included in employee costs	**1**	(1)
Actual return on plan assets	**1**	2
The principal actuarial assumptions used for the valuation were:		
Discount rate	**8.25%**	9.00%
Healthcare cost inflation	**7.50%**	7.75%
Expected return on plan assets	**9.25%**	10.00%
Remuneration inflation	**7.00%**	7.25%

35. Post-employment benefits continued

At 31 March 2012, the effects of a 1% movement in the assumed medical cost trend rate were as follows:

	Decrease Rm	Increase Rm
Effect on the current service cost and interest cost	**3**	3
Effect on the post-retirement medical aid liability	**31**	39

At 31 March	**2012 Rm**	2011 Rm	2010 Rm	2009 Rm	2008 Rm
Present value of defined benefit obligations	**37**	37	35	34	32
Fair value of plan assets	**(25)**	(24)	(24)	(21)	(19)
Deficit	**12**	13	11	13	13
Experience adjustments on plan liabilities	**3**	1	1	(2)	2
Experience adjustments on plan assets	**1**	–	1	3	–

36. Deferred revenue and income

	2012 Rm	2011 Rm
The group accounts for its hotel customer loyalty incentive programmes in terms of IFRIC 13 *Customer Loyalty Programmes* with the liability on the balance sheet allocated to deferred revenue, whilst the gaming customer loyalty incentive 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.		
At 1 April	**56**	37
Created during the year	**176**	76
Acquisition of subsidiary	**–**	8
Utilised during the year	**(158)**	(65)
At 31 March	**74**	56
The expected timing of the recognition of the revenue and income within three years (2011: three years) is as follows:		
Non-current	**40**	31
Current	**34**	25
	74	56

37. Provisions

	2012 Rm	2011 Restated Rm	2010 Restated Rm
At 1 April			
Long service awards	**88**	55	48
Incentives	**130**	64	74
Jackpot provisions	**12**	9	8
	230	128	130
Acquisition of subsidiary			
Incentives	**–**	12	–
Jackpot provisions	**–**	6	–
	–	18	–
Created during the year			
Long service awards	**25**	38	12
Incentives	**140**	94	40
Jackpot provisions	**30**	33	39
	195	165	91
Utilised during the year			
Long service awards	**(7)**	(5)	(5)
Incentives	**(110)**	(40)	(50)
Jackpot provisions	**(28)**	(36)	(38)
	(145)	(81)	(93)
At 31 March			
Long service awards	**106**	88	55
Incentives	**160**	130	64
Jackpot provisions	**14**	12	9
	280	230	128
Less: Current portion	**(183)**	(148)	(79)
Non-current portion	**97**	82	49

Long service awards

The group pays its employees a long service benefit. The benefit is paid when employees reach pre-determined 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.

	2012 Rm	2011 Restated Rm	2010 Restated Rm
Movement in unfunded obligation:			
Benefit obligation at 1 April	**88**	55	48
Interest cost	**9**	5	5
Service cost	**11**	30	7
Actuarial loss	**5**	3	–
Benefits paid	**(7)**	(5)	(5)
Obligation at 31 March	**106**	88	55
The amounts recognised in the income statement are as follows:			
Interest cost	**9**	5	5
Current service cost	**11**	30	7
Actuarial loss	**5**	3	–
	25	38	12
The principal actuarial assumptions used for accounting purposes are:			
Discount rate	**8.25%**	9.00%	9.00%
Inflation rate	**5.50%**	5.75%	5.25%
Salary increase rate	**6.00%**	6.25%	5.75%
Pre-retirement mortality rate		**SA 85 – 90 (light) table**	

37. Provisions continued

	2012 Rm	2011 Restated Rm	2010 Restated Rm
The present value of the long service award obligations for the current and prior years are as follows:			
Present value of funded obligations	**(106)**	(88)	(55)

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 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 twelve months.

38. Other non-current liabilities

	2012 Rm	2011 Rm
Straight-lining of operating leases	**265**	269
Contingency payment in respect of business acquisition (refer note 2e))	**58**	330
	323	599
Less: Current portion classified within trade and other payables (refer note 39)	**(64)**	(35)
Non-current portion	**259**	564

39. Trade and other payables

	2012 Rm	2011 Rm
Financial instruments	**756**	609
Trade payables	**133**	126
Smartcard credits due to customers	**20**	10
Accrued expenses	**206**	183
Advance deposits	**41**	37
Interest payable	**28**	3
Capital payables	**3**	1
Current portion of non-current liabilities (refer note 38)		
• contingency payment in respect of business acquisition (refer note 2e))	**58**	24
Other payables	**267**	225
Non-financial instruments	**202**	190
VAT payable	**67**	56
Leave pay liability	**91**	84
Payroll related payables	**38**	39
Current portion of non-current liabilities (refer note 38)		
• straight-lining of operating leases	**6**	11
	958	799

	2012 Rm	2011 Rm
The carrying amounts of the group's trade and other payables are denominated in the following currencies:		
SA Rand	**894**	752
US Dollar	**18**	13
Kenyan Shilling	**10**	6
Zambian Kwacha	**8**	7
Seychelles Rupee	**7**	6
Mozambican Metical	**7**	5
Tanzanian Shilling	**7**	5
United Arab Emirates Dirham	**7**	5
	958	799

40. Prior year restatement

	2011 Restated Rm	2010 Restated Rm
In terms of IAS 19 *Employee Benefits*, a provision has been recognised for long service awards offered by the group. The annual financial statements have been restated to account for this liability.		
Long service awards		
Retained income as previously stated	2 177	1 571
Recognition of long service awards	(62)	(39)
Restated retained income	2 115	1 532
Recognition of long service awards		
Provisions as previously stated	142	73
Recognition of long service awards	88	55
Restated provisions	230	128
Income statement		
Recognition of long service awards	33	7
Deferred tax on the recognition of long service awards	(9)	(2)
	24	5
Deferred tax adjustment on the above		
Deferred tax liability as previously stated – net	1 371	135
Recognition of long service awards	(24)	(15)
Restated balance	1 347	120
Non-controlling interests' adjustments on the above		
Non-controlling interests as previously stated	864	625
Recognition of long service awards	(2)	(1)
Restated balance	862	624
Cash flow		
Operating profit as previously stated	1 485	1 708
Less: recognition of long service awards	(33)	(55)
Operating profit restated	1 452	1 653
Adjusted for non-cash movements:		
Non-cash movements as previously stated	873	556
Adjusted for long service awards	33	55
Cash generated from operations before working capital movements	2 358	2 264

41. Cash generated from operations

	2012 Rm	2011 Restated Rm
Operating profit	**3 018**	1 452
Adjusted for non-cash movements:		
Amortisation	**53**	44
Depreciation	**570**	403
Bad debts written off	**9**	10
Operating equipment usage	**13**	13
Straight-lining of operating leases and other lease adjustments	**(3)**	(7)
Movement in provisions	**171**	125
Long-term incentive expense/(credit)	**55**	(13)
Fair value (gain)/loss on revaluation of previously held interest in associate	**(179)**	299
Write-back of contingent purchase consideration	**(248)**	–
Gain on disposal of property, plant and equipment	**(3)**	(6)
Impairment of plant and equipment	**–**	11
Impairment of financial instruments	**43**	4
Impairment of investment in joint venture	**2**	–
Translation impact on the income statement	**(11)**	–
Other non-cash moves	**13**	23
Cash generated from operations before working capital movements	**3 503**	2 358
Working capital movements		
Increase in inventories	**(14)**	(34)
Decrease/(increase) in trade and other receivables	**12**	(25)
Decrease in payables and provisions	**(105)**	(11)
Cash generated from operations	**3 396**	2 288

42. Income tax paid

	2012 Rm	2011 Restated Rm
Tax liability at 1 April	**(19)**	(40)
Current tax provided	**(740)**	(411)
Withholding tax	**(6)**	(4)
Acquisition of subsidiaries	**4**	(28)
Currency translation	**(3)**	–
Tax liability at 31 March	**(21)**	19
	(785)	(464)

43. Dividends paid to the company's shareholders

	2012 Rm	2011 Rm
Dividends provided at 1 April	**–**	–
Ordinary dividends declared	**(769)**	–
Dividends provided at 31 March	**1**	–
	(768)	**–**

44. Commitments

	2012 Rm	2011 Rm
Operating lease commitments (refer note 45)	**1 141**	1 193

The present value of the lease guarantees in note 47 and commitments above is R735 million (2011: R769 million).

45. Operating lease arrangements

	2012 Rm	2011 Rm
Operating lease arrangements where the group is a lessee:		
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	**120**	139
Later than 1 year and not later than 5 years	**452**	415
Later than 5 years	**569**	639
	1 141	1 193

The operating lease commitments relate mainly to leases of property within the group's portfolio of hotels, as well as its head office and the 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 R105 million (2011: R62 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:

	2012 Rm	2011 Rm
Not later than 1 year	**47**	73
Later than 1 year and not later than 5 years	**85**	114
Later than 5 years	**1**	5
	133	192

46. Future capital expenditure

	2012 Rm	2011 Rm
Authorised by directors but not yet contracted for:		
Property, plant and equipment	**1 263**	932
Intangible assets – software	**51**	22
	1 314	954
Authorised by directors and contracted to be expended:		
Property, plant and equipment	**390**	110
Intangible assets – software	**2**	–
	392	110

47. Contingencies and guarantees

	2012 Rm	2011 Rm
Staff loans and guarantees	**1**	1
Operating lease guarantees	**8**	5
Total guarantees	**9**	6
Litigation[1]	**2**	3
	11	9

[1] *Litigation comprises a possible contingency for litigation and related costs throughout all group companies*

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 R157 million (2011: R157 million) for gambling board taxes and working capital. The group has also entered into various agreements with its bankers and respective utility boards whereby the bank has guaranteed agreed capital amounts not exceeding R18 million (2011: R18 million) for utility expenses.

48. Business combinations and transactions with non-controlling interests

48.1 Dilution of 15% control in Tsogo Sun Emonti (Pty) Limited

A subsidiary of the group, Tsogo Sun Emonti (Pty) Limited, issued additional shares to Black Economic Empowerment non-controlling interests with effect from 26 September 2011 for nil consideration. The benefit of R20 million was accounted for in accordance with IFRS 2 *Share-based Payment* and the intangible asset was capitalised as the costs are directly attributable to the re-awarding of the licence. This effectively diluted the group's interest from 80% to 65%.

48.2 Additional 16.5% control in Tsogo Sun KwaZulu-Natal (Pty) Limited

The group has, with effect from 30 November 2011, concluded a purchase agreement of an additional 27.5% interest in a subsidiary, Ripple Effect 31 (Pty) Limited for R510 million which gives the group 100% interest in Ripple Effect 31 (Pty) Limited. This additional interest held an effective 16.5% interest in Tsogo Sun KwaZulu-Natal (Pty) Limited, also a subsidiary of the group. This acquisition gives the group an effective 90% control over Tsogo Sun KwaZulu-Natal (Pty) Limited, a company also in the hotel and casino businesses.

48.3 Hotel Formula 1 (Pty) Limited acquisition

With effect from 29 March 2012, the group acquired an additional 52.6% in Hotel Formula 1 (Pty) Limited which gave the group an effective 100% interest in Hotel Formula 1 (Pty) Limited. This company carries on the business of owning and operating hotels.

Goodwill arising on this acquisition was R251 million and is attributable to the acquired customer base and expected future growth of the business. None of the goodwill is expected to be deductible for income tax purposes.

Due to the date of the acquisition, being 29 March 2012, there were no contributed revenues nor profit to the group during the year under review, other than the share of profits as an associate until the date of acquisition. Had the acquisition occurred on 1 April 2011, group revenue would have increased by R112 million and profit after tax would have increased by R11 million, excluding the funding impact of the acquisition. These amounts have been calculated using the group's accounting policies.

48. Business combinations and transactions with non-controlling interests continued

48.3 Hotel Formula 1 (Pty) Limited acquisition continued

	2012 Rm
Details of goodwill and net assets acquired are as follows:	
Purchase consideration:	
Fair value of previously held interest	238
Fair value of Hotel Formula 1 (Pty) Limited shares acquired	300
Total purchase consideration	538
Fair value of net assets acquired	(294)
Non-controlling interests	7
Goodwill	251

Details of net assets acquired:	Provisional fair value 2012 Rm
Non-current assets	
Property, plant and equipment	323
Current assets	
Trade and other receivables	13
Current income tax assets	4
Cash and cash equivalents	23
Non-current liabilities	
Borrowings	(2)
Deferred tax liabilities	(48)
Current liabilities	
Trade and other payables	(19)
Total identifiable net assets	294
Less: Non-controlling interests	(7)
Net assets acquired	287
Add: Provisional goodwill	251
Total purchase consideration	538
Purchase consideration settled in cash	(300)
Cash balances net of overdrafts acquired	23
Net cash outflow on acquisition	(277)

As at 31 March 2012 the fair values of acquired assets, liabilities and goodwill for the business have been determined on a provisional basis pending finalisation of the post-acquisition review of the fair value of the acquired net assets. 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 R13 million includes trade receivables with a fair value of R5 million. The gross contractual amount for trade receivables due is R5 million. All trade debtors are expected to be collectible.

The group recognised a fair value gain of R179 million as a result of measuring its previously held interest of 47.4% in Hotel Formula 1 (Pty) Limited before the business combination at fair value. The gain is included in other operating expenses in note 13.

48.4 Share Registry Management Services (Pty) Limited acquisition

With effect from 1 September 2011, the group acquired a further 50% effective interest in Share Registry Management Services (Pty) Limited for a cash consideration of R1 million.

The fair value of net liabilities acquired was R1 million with goodwill arising on this acquisition of R2 million which was attributable to the expected future earnings growth to be realised. None of the goodwill is expected to be deductible for income tax purposes.

49. Related party transactions

As detailed below, the group has concluded certain transactions with related parties. The company's main shareholders are SABSA Holdings (Pty) Limited (39.7%) and Tsogo Investment Holding Company (Pty) Limited (41.3%). 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.

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

49.1 Purchases/sales of services

	2012 Rm	2011 Rm
Interest paid:		
– Johnnic Holdings Limited	**10**	3
Management fees received		
– associates	**3**	3
– joint ventures	**3**	3
Purchases from shareholders' group companies		
– SAB	**16**	11
– Amalgamated Beverage Industries, a division of SAB	**15**	12
South African Apartheid Museum	**5**	–
CASA	**1**	–
Olwazini Discovery Centre	**1**	–
	54	32

Johnnic Holdings Limited is a subsidiary company of a subsidiary of the group's ultimate shareholder, HCI. The interest paid was in respect of the Millennium transaction (refer note 2e)).

The South African Apartheid Museum is a non-profit company in terms of the South African Companies Act 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.

CASA is a voluntary association of its members to promote the casino industry in SA and the interests of its members as a whole. 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 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 expense of the museum.

49.2 Amounts owing by/(to) related parties

	2012 Rm	2011 Rm
Amounts owing by/(to) related parties:		
Associates and joint ventures (refer notes 21 and 22)	**9**	34
Johnnic Holdings Limited (refer notes 2e) and 38)	**(58)**	(24)
	(49)	10
Other amounts owing (to)/by related parties (included in notes 27 and 39):		
South African Apartheid Museum	**(1)**	1

49.3 Trade payables to related parties

	2012 Rm	2011 Rm
SAB	**1**	–
Amalgamated Beverage Industries, a division of SAB	**2**	1
	3	1

49. Related party transactions continued

49.4 Key management compensation	2012 Rm	2011 Rm
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:		
Executive directors		
Basic remuneration and cash incentives	**10**	11
Retirement, medical and catastrophe benefits	**2**	2
Other incentives and benefits	**12**	2
Total paid by subsidiaries	**24**	15
Non-executive directors		
Fees for services	**2**	1
Other benefits	**4**	–
Total paid by subsidiaries	**6**	1
Total directors' emoluments		
Paid by subsidiaries	**29**	16
Other key management and prescribed officers		
Basic remuneration and cash incentives	**11**	10
Retirement, medical and catastrophe benefits	**2**	2
Other incentives and benefits	**5**	2
Total emoluments paid by subsidiaries	**18**	14

There were 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 12 to page 15 of the integrated annual report.

Refer note 22.3 of the company financial statements for the statutory and regulatory disclosure relating to executive directors and prescribed officers.

The above amounts are for the years ended 31 March 2012 and 2011, in line with the group's year end.

49.5 Preference shares

Preference shares redeemed:		
Johnnic Holdings Limited	–	(510)
SABSA Holdings (Pty) Limited	–	(490)
	–	(1 000)

These preference shares were redeemed during the prior year.

49.6 Contingencies, commitments and guarantees

There are no contingencies, commitments or guarantees of the group's related parties. In the prior year, the group guaranteed 47.4% of the lease obligations of its associate, Hotel Formula 1 (Pty) Limited. This share amounted to R4.9 million and the present value was R4.3 million.

COMPANY INCOME STATEMENT

for the

	Notes	Fifteen months ended 31 March 2012 R'000	Year ended 31 December 2010 R'000
Other income	2	**892 213**	222 204
Other operating expenses	3	**(56 789)**	(15 730)
Operating profit		**835 424**	206 474
Interest income	4	**7 614**	6 645
Profit before income tax		**843 038**	213 119
Income tax expense	5	**(11 156)**	(20 705)
Profit for the period		**831 882**	192 414

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

COMPANY BALANCE SHEET

as at

	Notes	31 March 2012 R'000	31 December 2010 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**3 658**	3 658
Investment in subsidiaries	7	**18 516 274**	2 816 806
Investment in associate	8	**–**	24 816
Investment in joint venture	9	**–**	6 214
Share scheme	10	**41 330**	60 308
Deferred income tax asset	11	**–**	1 150
		18 561 262	2 912 952
Current assets			
Trade and other receivables	12	**41**	–
Amounts due by subsidiaries	13	**13 390**	54 763
Current income tax asset		**–**	994
Cash and cash equivalents	14	**509**	23 759
		13 940	79 516
Total assets		**18 575 202**	2 992 468
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital and premium	15	**17 557 721**	1 871 984
Share-based payment reserve		**399 302**	394 631
Retained earnings		**445 479**	382 104
Total shareholders' equity		**18 402 502**	2 648 719
Non-current liabilities			
Financial guarantee contracts	16	**–**	103 106
		–	103 106
Current liabilities			
Trade and other payables	17	**12 439**	1 172
Current income tax liability		**4**	–
Amounts owing to subsidiaries	13	**160 257**	239 471
		172 700	240 643
Total liabilities		**172 700**	**343 749**
Total equity and liabilities		**18 575 202**	2 992 468

The notes on page 112 to page 124 form an integral part of these company financial statements.

The company's accounting policies are included with the group's accounting policies on page 60 to page 70.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the

	Notes	Share capital and premium R'000	Share-based payment reserve R'000	Retained earnings R'000	Total equity R'000
Balance at 1 January 2009		1 865 972	389 040	370 335	2 625 347
Profit for the year		–	–	192 414	192 414
Issue of shares	15	6 012	–	–	6 012
Recognition of share-based payments		–	5 591	–	5 591
Ordinary dividends		–	–	(180 645)	(180 645)
Balance at 31 December 2010		1 871 984	394 631	382 104	2 648 719
Profit for the period		**–**	**–**	**831 882**	**831 882**
Ordinary shares issued on acquisition of subsidiary	15	**15 162 616**	**–**	**–**	**15 162 616**
Arising on reverse acquisition [(1)]	15	**488 544**	**–**	**–**	**488 544**
Shares issued to share trust	15	**34 577**	**–**	**–**	**34 577**
Recognition of share-based payments		**–**	**4 671**	**–**	**4 671**
Ordinary dividends		**–**	**–**	**(768 507)**	**(768 507)**
Balance at 31 March 2012		**17 557 721**	**399 302**	**445 479**	**18 402 502**

[(1)] This represents the difference between the fair value of the shares on the reverse acquisition transaction date and the market value on the date of issue to the TSH shareholders

COMPANY CASH FLOW STATEMENT

for the

	Notes	**Fifteen months ended 31 March 2012 R'000**	Year ended 31 December 2010 R'000
Cash flows from operating activities			
Cash generated by operations	18	**784 194**	201 101
Interest received		**7 614**	6 645
Income tax paid	19	**(9 008)**	(22 604)
Dividends paid	20	**(767 791)**	(180 645)
Net cash generated from operations		**15 009**	4 497
Cash flows from investment activities			
Investment in joint venture		**–**	(2 099)
Loans advanced to joint venture		**(8 398)**	(4 372)
Loans advanced to associate		**(1 937)**	(2 785)
Net cash utilised for investment activities		**(10 335)**	(9 256)
Cash flows from financing activities			
Issue of shares		**–**	6 012
Decrease/(increase) in share scheme loan		**18 978**	(1 459)
Ordinary shares issued for share scheme participants		**34 577**	–
(Increase)/decrease in amounts due by subsidiaries		**(2 265)**	2 857
Decrease in amounts due to subsidiaries		**(79 214)**	(12 680)
Decrease in amounts due to associate		**–**	(2 032)
Net cash utilised for financing activities		**(27 924)**	(7 302)
Net decrease in cash and cash equivalents		**(23 250)**	(12 061)
Cash and cash equivalents at beginning of period		**23 759**	35 820
Cash and cash equivalents at end of period	14	**509**	23 759

The notes on page 112 to page 124 form an integral part of these company financial statements.

The company's accounting policies are included with the group's accounting policies on page 60 to page 70.

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 company'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 company has no foreign exchange transactions and is therefore not exposed to 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 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 and amounts due by subsidiaries are not impaired or overdue. Refer notes 12 and 13 for details of amounts due by other receivables and subsidiaries.

(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.

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 17 for details of the company's liabilities. All financial liabilities are current and may be settled in the next twelve 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 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
2012			
Financial assets			
Trade and other receivables	**41**	**–**	**41**
Amounts due by subsidiaries	**13 390**	**–**	**13 390**
Cash and cash equivalents	**509**	**–**	**509**
	13 940	**–**	**13 940**
Financial liabilities			
Trade and other payables	**–**	**12 234**	**12 234**
Amounts owing to subsidiaries	**–**	**160 257**	**160 257**
	–	**172 491**	**172 491**
2010			
Financial assets			
Amounts due by subsidiaries	54 763	–	54 763
Cash and cash equivalents	23 759	–	23 759
	78 522	–	78 522
Financial liabilities			
Financial guarantee contracts	–	103 106	103 106
Trade and other payables	–	714	714
Amounts owing to subsidiaries	–	239 471	239 471
	–	343 291	343 291

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 and debt funding from external parties.

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

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.

2. Other income

	Fifteen months ended 31 March 2012 R'000	Year ended 31 December 2010 R'000
Dividends received	**767 857**	180 351
Royalty fees	**21 250**	15 829
Amortisation of financial guarantee contracts	**12 552**	21 596
Release of financial guarantee contracts	**90 554**	–
Other revenue	**–**	4 428
	892 213	222 204

3. Other operating expenses

	Fifteen months ended 31 March 2012 R'000	Year ended 31 December 2010 R'000
Other operating expenses comprise the following:		
Auditors' remuneration	**3 680**	1 209
Audit fees – current year	**3 632**	1 209
Other services and expenses	**48**	–
Other operating expenses	**226**	3 804
Impairment of loan to associate	**26 753**	10 717
Impairment of investment in joint venture	**2 047**	–
Impairment of loan to joint venture	**12 565**	–
Liability relating to financial guarantee provided for in full	**11 518**	–
	56 789	15 730

4. Interest income

	Fifteen months ended 31 March 2012 R'000	Year ended 31 December 2010 R'000
Interest income from subsidiaries	**858**	31
Interest income from associate	**4 255**	4 424
Interest received from banks	**2 501**	832
Other	**–**	1 358
	7 614	6 645

5. Income tax expense

	Fifteen months ended 31 March 2012 R'000	Year ended 31 December 2010 R'000
Current tax – current period	**9 004**	6 376
Current tax – prior period	**1 002**	–
Deferred tax – current period	**1 150**	(1 150)
STC	**–**	15 479
	11 156	20 705

5. Income tax expense continued

	Fifteen months ended 31 March 2012 R'000	%	Year ended 31 December 2010 R'000	%
Income tax rate reconciliation				
Profit before income tax	**843 038**		213 119	
Tax thereon at 28% (2010: 28%)	**236 051**	**28.0**	59 673	28.0
Exempt income	**(243 335)**	**(28.9)**	(56 545)	(26.5)
Disallowed expenditure	**17 438**	**2.1**	3 248	1.5
Prior year charge	**1 002**	**0.1**	–	–
STC	**–**	**–**	15 479	7.3
Deferred STC recognised	**–**	**–**	(1 150)	(0.5)
	11 156	**1.3**	20 705	9.8

6. Property, plant and equipment

	31 March 2012 R'000	31 December 2010 R'000
Land		
Cost at beginning and end of period	**3 658**	3 658

Land comprises a vacant stand, Erf 18029, Mossel Bay in the Western Cape province.

7. Investment in subsidiaries

	31 March 2012 R'000	31 December 2010 R'000
Shares at cost		
Cost of investment in ordinary shares (refer note 23)	**18 413 592**	2 762 432
Amount due by Aldiss Investments (Pty) Limited	**43 638**	–
Share-based payments to subsidiary employees	**59 044**	54 374
	18 516 274	2 816 806

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

	31 March 2012 R'000	31 December 2010 R'000
Unlisted		
At beginning of period	**24 816**	32 748
Loans granted	**1 937**	2 785
Impairment of loan to associate	**(26 753)**	(10 717)
At end of period	**–**	24 816
Capital		
Lukhanji Leisure (Pty) Limited	**67**	67
Impairment of investment in associate	**(67)**	(67)
	–	–
Loans		
Lukhanji Leisure (Pty) Limited	**26 753**	35 533
Impairment of loan to associate	**(26 753)**	(10 717)
	–	24 816
Total investment	**–**	24 816

The company has the following interest in its associate:

- 25.1% in Lukhanji Leisure (Pty) Limited. The loan to Lukhanji Leisure (Pty) Limited bears interest at prime plus 1%. The company has subordinated this loan for the benefit of other creditors, limited to an amount of R17.5 million. The loan was fully impaired during the current period due to the associate's continuing trading losses and it is not considered to be immediately recoverable. The company does not hold any collateral as security.

9. Investment in joint venture

	31 March 2012 R'000	31 December 2010 R'000
Unlisted		
At beginning of period	**6 214**	–
Investment in joint venture	**–**	2 304
Loan to joint venture	**8 398**	4 372
Impairment of investment in joint venture	**(14 612)**	–
Currency translation	**–**	(462)
At end of period	**–**	6 214
Capital		
Indol (Pty) Limited	**2 047**	2 047
Impairment of investment in joint venture	**(2 047)**	–
	–	2 047
Loans		
Indol (Pty) Limited	**12 565**	4 167
Impairment of loan to joint venture	**(12 565)**	–
	–	4 167
Total investment	**–**	6 214

The company has the following interest in a joint venture:

- 50% in Indol (Pty) Limited, a gaming and leisure company established in Botswana. The investment in Indol (Pty) Limited and loan to this joint venture, which is interest free, were fully impaired during the period under review as they are not considered to be immediately recoverable as the awarding of the casino licence is uncertain. The company does not hold any collateral or security.

10. Share-based payments – Gold Reef Share Scheme

	31 March 2012 R'000	31 December 2010 R'000
Loan to share scheme	**41 330**	60 308

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 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 option vests with the employees. 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 1x(vi) to the consolidated financial statements.

11. Deferred income tax

	31 March 2012 R'000	31 December 2010 R'000
The gross movement on the deferred income tax account is as follows:		
Deferred tax asset at beginning of period	**1 150**	–
Income statement (charge)/credit	**(1 150)**	1 150
Deferred tax asset at end of period	**–**	1 150

12. Trade and other receivables

	31 March 2012 R'000	31 December 2010 R'000
Other debtors	**41**	–

The above value approximates fair value.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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

	31 March 2012 R'000	31 December 2010 R'000
Amounts due by subsidiaries:		
Aldiss Investments (Pty) Limited	**–**	43 633
Akani Egoli (Pty) Limited	**8**	26
Akani Egoli Management (Pty) Limited	**49**	–
Akani Msunduzi (Pty) Limited	**6**	1
Akani Msunduzi Management (Pty) Limited	**611**	–
Garden Route Casino (Pty) Limited	**25**	33
Goldfields Casino (Pty) Limited	**11**	12
Mogale Silverstar Holdings (Pty) Limited	**18**	18
Richard Moloko Consortium Holdings (Pty) Limited	**39**	39
Silverstar Casino (Pty) Limited	**6**	11 000
Tsogo Sun (Pty) Limited	**12 602**	–
West Coast Leisure (Pty) Limited	**15**	1
	13 390	54 763
Amounts due to subsidiaries:		
Akani Egoli (Pty) Limited	**–**	620
Akani Egoli Management (Pty) Limited	**–**	5
Akani Msunduzi (Pty) Limited	**–**	359
Gold Reef Management (Pty) Limited	**3 630**	64 302
Garden Route Casino (Pty) Limited	**–**	18 322
Goldfields Casino (Pty) Limited	**–**	239
Newshelf 786 (Pty) Limited	**68 540**	68 540
Richard Moloko Consortium (Pty) Limited	**86 614**	86 614
Silverstar Casino (Pty) Limited	**–**	470
Tsogo Sun Casinos (Pty) Limited	**1 473**	–
	160 257	239 471

The loans shown above, with the exception of 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. Due to the recent reverse listing of Tsogo Sun and the long-term nature of the loan to Aldiss Investments (Pty) Limited, the loan is now considered an equity loan and has been reclassified to the investment in the subsidiary.

14. Cash and cash equivalents

	31 March 2012 R'000	31 December 2010 R'000
Current accounts	**499**	2 944
Call accounts	**10**	20 815
	509	23 759

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

15. Ordinary share capital and premium

	Number of ordinary shares	Ordinary share capital R'000	Share premium R'000	Total R'000
At 31 December 2009	291 990 220	5 840	1 860 132	1 865 972
Ordinary shares issued	353 677	7	6 005	6 012
At 31 December 2010	292 343 897	5 847	1 866 137	1 871 984
Ordinary shares issued on acquisition of subsidiary	**888 261 028**	**17 765**	**15 144 851**	**15 162 616**
Arising on reverse acquisition[(1)]	**–**	**–**	**488 544**	**488 544**
Ordinary shares issued for share scheme participants	**2 161 063**	**43**	**34 534**	**34 577**
At 31 March 2012	**1 182 765 988**	**23 655**	**17 534 066**	**17 557 721**

[(1)] *This represents the difference between the fair value of the shares on the reverse acquisition transaction date and the market value on the date of issue to the TSH shareholders*

The total authorised number of ordinary shares is 1 200 000 000 (2010: 1 200 000 000) with a par value of 2 cents per share (2010: 2 cents per share). All issued shares, other than those related to the Gold Reef Share Scheme, are fully paid up.

16. Financial guarantee contracts

	31 March 2012 R'000	31 December 2010 R'000
At beginning of period	**103 106**	124 702
Amortisation of financial guarantee contracts	**(12 552)**	(21 596)
Release of financial guarantee contracts	**(90 554)**	–
At end of period	**–**	103 106

The financial guarantee contracts relating to suretyships provided by the company to banks in respect of loans granted to subsidiaries were released during the period under review. Guarantees are now issued by the subsidiary companies of the Tsogo Sun group.

17. Trade and other payables

	31 March 2012 R'000	31 December 2010 R'000
Financial instruments		
Accrued expenses	**–**	714
Unclaimed dividends owing to shareholders	**716**	–
Liability relating to financial guarantee provided for in full	**11 518**	–
	12 234	714
Non-financial instruments		
VAT payable	**205**	458
	12 439	1 172

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.

18. Cash generated from operations

	Fifteen months ended 31 March 2012 R'000	Year ended 31 December 2010 R'000
Operating profit	**835 424**	206 474
Adjusted for non-cash movements:		
Amortisation of financial guarantee contracts	**(12 552)**	(21 596)
Release of financial guarantee contracts	**(90 554)**	–
Liability relating to financial guarantee provided for in full	**11 518**	–
Related party loan reversed against investment in subsidiary	**–**	4 116
Foreign exchange loss	**–**	257
Impairment of loan to associate	**26 753**	10 717
Impairment of investment in joint venture	**2 047**	–
Impairment of loan to joint venture	**12 565**	–
Cash generated from operations before working capital movements	**785 201**	199 968
Working capital movements		
(Increase)/decrease in trade and other receivables	**(41)**	1 000
(Decrease)/increase in trade and other payables	**(966)**	133
Cash generated from operations	**784 194**	201 101

19. Income tax paid

	Fifteen months ended 31 March 2012 R'000	Year ended 31 December 2010 R'000
Tax asset at beginning of period	**994**	245
Current tax provided	**(10 006)**	(21 855)
Tax liability/(asset) at end of period	**4**	(994)
	(9 008)	(22 604)

20. Dividends paid to the company's shareholders

	Fifteen months ended 31 March 2012 R'000	Year ended 31 December 2010 R'000
Dividends provided at beginning of period	**–**	–
Ordinary dividends declared	**(768 507)**	(180 645)
Dividends provided at end of period	**716**	–
	(767 791)	(180 645)

21. Contingencies and guarantees

	Fifteen months ended 31 March 2012 R'000	Year ended 31 December 2010 R'000
Litigation	**1 500**	1 000
Guarantees	**–**	3 935
Transaction costs	**–**	22 443
	1 500	27 378

Litigation comprises a possible contingency for litigation and related costs. All guarantees entered into previously by the company were released during the period under review.

22. 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 23.

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

	Fifteen months ended 31 March 2012 R'000	Year ended 31 December 2010 R'000
22.1 Purchases/sales of services		
Royalty fees received from subsidiary:		
Gold Reef Management (Pty) Limited	**21 250**	15 829
Administration fees received from subsidiaries:		
Akani Egoli (Pty) Limited	**119**	197
Akani Msunduzi (Pty) Limited	**206**	215
Garden Route Casino (Pty) Limited	**347**	338
Goldfields Casino (Pty) Limited	**141**	130
Gold Reef Management (Pty) Limited	**553**	3 085
West Coast Leisure (Pty) Limited	**159**	117
Silverstar Casino (Pty) Limited	**83**	74
Administration fees received from associate:		
Lukhanji Leisure (Pty) Limited	**77**	72
	22 935	20 057
22.2 Amounts owing by/to related parties		
Amounts owing by subsidiaries (refer note 13)	**13 390**	54 763
Amounts owing to subsidiaries (refer note 13)	**160 257**	239 471
Amounts owing by other related parties:		
Associates and joint ventures (refer notes 8 and 9)	**–**	28 983

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

22. Related party transactions continued

22.3 Key management compensation

Directors and prescribed officers of the company are considered to be key management. Remuneration and fees paid to key management during the period are as follows:

	Fifteen months ended 31 March 2012					
Executive directors	**Basic remuneration R'000**	**Benefits R'000**	**Incentives R'000**	**Contract settlement R'000**	**Accelerated vested share options R'000**	**Total R'000**
Remuneration paid by subsidiaries						
MN von Aulock [(1)]	**3 499**	**732**	**1 854**	**–**	**–**	**6 085**
RB Huddy [(2)]	**938**	**202**	**–**	**–**	**–**	**1 140**
JA Mabuza [(3)]	**2 392**	**695**	**6 462**	**–**	**–**	**9 549**
RA Collins [(1)(4)]	**1 951**	**326**	**2 626**	**–**	**–**	**4 903**
GI Wood [(1)(4)]	**1 651**	**262**	**730**	**–**	**–**	**2 643**
	10 431	**2 217**	**11 672**	**–**	**–**	**24 320**
Remuneration paid by the company						
JS Friedman [(5)]	**–**	**–**	**–**	**–**	**168**	**168**
SB Joffe [(5)]	**–**	**–**	**–**	**–**	**312**	**312**
C Neuberger [(5)]	**–**	**–**	**–**	**–**	**186**	**186**
TM Sadiki [(5)]	**–**	**–**	**–**	**–**	**111**	**111**
Paid by subsidiaries						
JS Friedman [(5)]	**275**	**220**	**–**	**10 473**	**–**	**10 968**
SB Joffe [(5)]	**435**	**415**	**–**	**19 490**	**–**	**20 340**
C Neuberger [(5)]	**313**	**126**	**–**	**11 500**	**–**	**11 939**
TM Sadiki [(5)]	**181**	**112**	**–**	**6 950**	**–**	**7 243**
	1 204	**873**	**–**	**48 413**	**777**	**51 267**
Total remuneration	**11 635**	**3 090**	**11 672**	**48 413**	**777**	**75 587**

	Year ended 31 December 2010				
Executive directors	Basic remuneration R'000	Benefits R'000	Incentives R'000	Gains on vested share options R'000	Total R'000
Remuneration paid by the company					
JS Friedman [(6)]	–	–	–	311	311
SB Joffe [(6)]	–	–	–	518	518
C Neuberger [(6)]	–	–	–	311	311
TM Sadiki [(6)]	–	–	–	52	52
Paid by subsidiaries					
JS Friedman	1 696	284	1 386	–	3 366
SB Joffe	2 643	497	2 198	–	5 338
C Neuberger	1 896	284	1 526	–	3 706
TM Sadiki	1 098	212	917	–	2 227
	7 333	1 277	6 027	1 192	15 829

(1) *Appointed 24 February 2011*
(2) *Appointed 31 October 2011*
(3) *Appointed 24 February 2011 and retired 30 September 2011*
(4) *Resigned 31 October 2011*
(5) *Resigned 24 February 2011. The executive directors had service contracts with Gold Reef, which were entered into in August 2009, and addenda to these service contracts were signed on 17 February 2010. These contracts were terminated with effect from 24 February 2011 and accordingly the payments, which relate to the period 1 January 2011 to 24 February 2011, were made to the executive directors terminated at that date*
(6) *On termination of the service agreements, these share options vested, the loan balances with the company were repaid and the pledges over the shares were released*

The 2010 comparatives relate to amounts paid during the financial year ended 31 December 2010. The 2012 disclosure relates to amounts paid during the fifteen month period ended 31 March 2012.

22. Related party transactions continued

22.3 Key management compensation continued

Non-executive directors	Fifteen months ended 31 March 2012 Directors' fees R'000	Other benefits R'000	Total R'000	Year ended 31 December 2010 Directors' fees R'000	Total R'000
Fees and services paid by subsidiaries					
JA Copelyn (1, 5)	**547**	**–**	**547**	–	–
JA Mabuza (1)	**–**	**4 250**	**4 250**	–	–
MJA Golding (1, 5)	**163**	**–**	**163**	–	–
JM Kahn (1, 5)	**165**	**–**	**165**	–	–
EAG Mackay (1, 5)	**200**	**–**	**200**	–	–
VE Mphande (1)	**160**	**–**	**160**	–	–
A van der Veen (1, 5)	**163**	**–**	**163**	–	–
MI Wyman (1, 5)	**163**	**–**	**163**	–	–
PJ Venison (2)	**125**	**–**	**125**	–	–
RG Tomlinson (1)	**300**	**–**	**300**	–	–
JG Ngcobo (1)	**187**	**–**	**187**	–	–
Y Shaik (3)	**150**	**–**	**150**	–	–
MG Diliza (4)	**10**	**–**	**10**	30	30
PCM September (4)	**13**	**–**	**13**	41	41
	2 346	**4 250**	**6 596**	71	71
Fees and services paid by the company					
EN Banda (4)	**101**	**–**	**101**	696	696
MG Diliza (4)	**35**	**–**	**35**	142	142
JC Farrant (4)	**48**	**–**	**48**	388	388
MZ Krok (4)	**35**	**–**	**35**	248	248
ZJ Matlala (4)	**54**	**–**	**54**	361	361
PCM September (4)	**35**	**–**	**35**	271	271
P Vallet (4)	**35**	**–**	**35**	283	283
	343	**–**	**343**	2 389	2 389
Total fees and services	**2 689**	**4 250**	**6 939**	2 460	2 460

(1) *Appointed 24 February 2011*
(2) *Appointed 24 February 2011 and retired 15 June 2011*
(3) *Appointed 15 June 2011*
(4) *Resigned 24 February 2011*
(5) *Directors' fees paid to respective employer companies*

The 2010 comparatives relate to amounts paid during the financial year ended 31 December 2010. The 2012 disclosure relates to amounts paid during the fifteen month period ended 31 March 2012.

22. Related party transactions continued

22.3 Key management compensation continued

Other key management and prescribed officers	Basic remuneration (R'000)	Benefits (R'000)	Performance incentives (R'000)	Long-term incentives (R'000)	Total (R'000)
	Fifteen months ended 31 March 2012				
Remuneration paid by subsidiaries					
J Booysen	**2 643**	**440**	**1 417**	**–**	**4 500**
RA Collins	**3 641**	**615**	**2 626**	**–**	**6 882**
RF Weilers	**3 573**	**968**	**698**	**–**	**5 239**
GI Wood	**3 084**	**491**	**730**	**–**	**4 305**
	12 941	**2 514**	**5 471**	**–**	**20 926**

	Basic remuneration (R'000)	Benefits (R'000)	Performance incentives (R'000)	Long-term incentives (R'000)	Total (R'000)
	Year ended 31 December 2010				
Remuneration paid by subsidiaries					
J Booysen	1 446	256	237	–	1 939
RA Collins	2 771	454	767	–	3 992
RF Weilers	2 682	732	324	1 119	4 857
GI Wood	2 335	370	170	–	2 875
	9 234	1 812	1 498	1 119	13 663

The 2010 comparatives relate to amounts paid during the financial year ended 31 December 2010. The 2012 disclosure relates to amounts paid during the fifteen month period ended 31 March 2012.

23. Subsidiary companies

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

	Issued share capital		Effective holding		Shares at cost	
	2012	2010	**2012**	2010	**2012**	2010
Subsidiary	**R**	R	**%**	%	**R'000**	R'000
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**	n/a	**100**	–	**15 651 160**	n/a
Durban Add-Ventures Limited	**3 156 723**	n/a	**75.2**	–	**–**	n/a
Hotel Formula 1 (Pty) Limited[(1)]	**4 000**	n/a	**100**	–	**–**	n/a
Monyaka Gaming Machine Supply (Pty) Limited	**2 000**	n/a	**100**	–	**–**	n/a
Ripple Effect 31 (Pty) Limited	**1 000**	n/a	**100**	–	**–**	n/a
Southern Sun Africa	**120 265**	n/a	**100**	–	**–**	n/a
Southern Sun Hotels (Pty) Limited	**100**	n/a	**100**	–	**–**	n/a
Southern Sun Hotel Interests (Pty) Limited	**2 145 000**	n/a	**100**	–	**–**	n/a
Southern Sun Middle East Investment Holdings (Pty) Limited	**100**	n/a	**100**	–	**–**	n/a
Southern Sun Offshore (Pty) Limited	**100**	n/a	**100**	–	**–**	n/a
Southern Sun Secretarial Services (Pty) Limited	**2**	n/a	**100**	–	**–**	n/a
The Millennium Casino Limited	**200**	n/a	**100**	–	**–**	n/a
Tsogo Sun (Pty) Limited	**120**	n/a	**100**	–	**–**	n/a
Tsogo Sun Casinos (Pty) Limited	**2 402**	n/a	**100**	–	**–**	n/a
Tsogo Sun Emonti (Pty) Limited	**1 230**	n/a	**65**	–	**–**	n/a
Tsogo Sun Gaming (Pty) Limited	**100**	n/a	**100**	–	**–**	n/a
Tsogo Sun KwaZulu-Natal (Pty) Limited	**1 000**	n/a	**90**	–	**–**	n/a
					18 413 592	2 762 432

(1) Hotel Formula 1 (Pty) Limited previously accounted for as an associate – now consolidated (refer note 48.3 to the group annual financial statements)

** Amounts less than R1 000*

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 abovementioned 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 Southern Sun Africa which is incorporated in Mauritius, are incorporated in South Africa.

ANALYSIS OF SHAREHOLDINGS

	Number of shareholders	%	Number of shares	%
Portfolio size				
Range				
1 – 1 000	652	41.03	290 373	0.02
1 001 – 5 000	390	24.54	1 016 652	0.09
5 001 – 10 000	97	6.10	720 189	0.06
10 001 – 50 000	152	9.57	4 081 950	0.35
50 001 – 100 000	60	3.78	4 464 154	0.38
100 001 – And more	238	14.98	1 172 192 670	99.10
	1 589	100.00	1 182 765 988	100.00
Shareholder spread				
Public	1 582	99.56	208 674 823	17.64
Non-public	7	0.44	974 091 165	82.36
Directors	1	0.06	167 775	0.02
Subsidiary companies*	3	0.19	83 632 695	7.07
Gold Reef Share Scheme*	1	0.06	2 029 667	0.17
Holding 10% +	2	0.13	888 261 028	75.10
	1 589	100.00	1 182 765 988	100.00
Major shareholders owning 1% or more				
Tsogo Investment Holding Company (Pty) Limited			453 013 124	38.30
SABSA Holdings (Pty) 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			15 494 632	1.31
Aldiss Investments (Pty) Limited*			14 427 602	1.22

* *Treasury shares*

There are 85 662 362 treasury shares.

GLOSSARY

"ABSA"	ABSA Group Limited
"Adjusted HEPS"	Adjusted headline earnings per share
"AGM"	Annual General Meeting
"BBBEE"	Broad-based black economic empowerment
"the board"	The board of directors of Tsogo Sun Holdings Limited
"CASA"	Casino Association of South Africa
"CGU"	Cash generating unit
"CSDP"	Central Securities Depository Participants
"CSI"	Corporate Social Investment
"DTI"	Department of Trade and Industry
"Ebitdar"	Earnings before interest, tax, depreciation, amortisation and rentals
"EPS"	Earnings per share
"Fedhasa"	Federated Hospitality Association of South Africa
"Gambling Board"	Collectively, the Eastern Cape Gambling and Betting Board, the Free State Gambling and Racing Board, the Gauteng Gambling Board, the KwaZulu-Natal Gambling Board, the Western Cape Gambling and Racing Board and the Mpumalanga Gambling Board
"GEC"	Group Executive Committee
"Gold Reef"	Gold Reef Resorts Limited
"HCI"	Hosken Consolidated Investments Limited
"HEPS"	Headline earnings per share
"Heritage"	Heritage Environmental Management Company
"IFRS"	International Financial Reporting Standards
"JIBAR"	Johannesburg Interbank Agreed Rate
"JSE"	JSE Limited
"King III"	The King Code of Governance Principles for South Africa 2009
"NRGP"	National Responsible Gambling Programme
"Nedbank"	Nedbank Limited
"PDIs"	Previously disadvantaged individuals
"Revpar"	Revenue per available room
"RMB"	Rand Merchant Bank, a division of FirstRand Bank Limited
"SA"	South Africa
"SAB"	SAB Limited, a subsidiary of SABMiller
"SABMiller"	SABMiller plc
"SARS"	South African Revenue Services
"SENS"	JSE news services
"STC"	Secondary Tax on Companies
"Strate"	Share Transactions Totally Electronic, an unlisted company owned by the JSE and CSDP
"Systemwide"	Including both owned and managed businesses
"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 Holdings (Pty) Limited
"VAT"	Value Added Tax
"World Cup"	2010 FIFA Soccer World Cup

CORPORATE INFORMATION

Company Secretary and Registered Office
W J van Wyngaardt
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)

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)

Investor relations
Brunswick South Africa Limited
(Registration Number: 1995/011507/10)
23 Fricker Road
Illovo Boulevard
Illovo, 2196

SHAREHOLDERS DIARY

Annual general meeting	18 October 2012
Next financial year end	31 March 2013

REPORTS
Announcements

Interim results for six months to September	November 2012
Preliminary announcement of annual results	May 2013
Annual financial statements published	September 2013

Dividends	**Declared**	**Paid**
Ordinary – interim	November	December
Ordinary – final	May	June

NOTICE OF ANNUAL GENERAL MEETING

TSOGO SUN HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
Registration number 1989/002108/06
Share code: TSH
ISIN ZAE000156238
("the company")

Notice is hereby given that the AGM of the company will be held at The Pivot Conference Centre (adjacent to Southern Sun Montecasino Hotel), Verona Suite, Block B, No. 1 Montecasino Boulevard, Fourways, South Africa on Thursday, 18 October 2012 at 10:00 for the purpose of considering and, if deemed fit, passing with or without amendment, the following ordinary and special resolutions and considering any other matters raised by shareholders at the AGM.

1. **ANNUAL FINANCIAL STATEMENTS**

   Ordinary resolution number 1

   "Resolved as an ordinary resolution, that the annual financial statements of the company and the group for the year ended 31 March 2012, together with the audit and risk committee's, the independent auditors' and the directors' reports, be received and adopted."

2. **APPOINTMENT OF AUDITORS**

   Ordinary resolution number 2

   "Resolved as an ordinary resolution, that PricewaterhouseCoopers Inc. be appointed as independent auditors of the company until the conclusion of the next Annual General Meeting of the company."

3. **AUDIT AND RISK COMMITTEE**

   Ordinary resolution number 3.1

   "Resolved as an ordinary resolution, that Mr RG Tomlinson be appointed as a member and Chairman of the company's audit and risk committee."

   Ordinary resolution number 3.2

   "Resolved as an ordinary resolution, that Mr JG Ngcobo be appointed as a member of the company's audit and risk committee."

   Ordinary resolution number 3.3

   "Resolved as an ordinary resolution, that Mr Y Shaik be appointed as a member of the company's audit and risk committee."

4. **DIRECTORS**

   Ordinary resolution number 4.1

   "Resolved as an ordinary resolution, that Mr RB Huddy, who retires in terms of the company's memorandum of incorporation and who, being eligible, offers himself for re-election, is hereby elected as a director of the company."

   An abbreviated curriculum vitae in respect of Mr Huddy is contained on page 13 of the integrated annual report of the company for the year ended 31 March 2012 of which this notice forms part ("integrated annual report").

   Ordinary resolution number 4.2

   "Resolved as an ordinary resolution, that Mr JM Kahn, who retires by rotation in terms of the company's memorandum of incorporation and who, being eligible, offers himself for re-election, is hereby elected as a director of the company."

   An abbreviated curriculum vitae in respect of Mr Kahn is contained on page 13 of the integrated annual report.

   Ordinary resolution number 4.3

   "Resolved as an ordinary resolution, that Mr VE Mphande, who retires by rotation in terms of the company's memorandum of incorporation and who, being eligible, offers himself for re-election, is hereby elected as a director of the company."

   An abbreviated curriculum vitae in respect of Mr Mphande is contained on page 15 of the integrated annual report.

   Ordinary resolution number 4.4

   "Resolved as an ordinary resolution, that Mr MJA Golding, who retires by rotation in terms of the company's memorandum of incorporation and who, being eligible, offers himself for re-election, is hereby elected as a director of the company."

   An abbreviated curriculum vitae in respect of Mr Golding is contained on page 13 of the integrated annual report.

5. NON-BINDING ADVISORY RESOLUTION APPROVING THE COMPANY'S REMUNERATION POLICY

Ordinary resolution number 5

"Resolved as an ordinary resolution, by way of a non-binding advisory vote, that the company's remuneration policy, as set out on pages 46 to 49 of the integrated annual report of which the notice convening the AGM forms part, be and is approved in terms of the King Report on Corporate Governance for South Africa, 2009."

6. DIRECTORS' FEES

Special resolution number 1

"Resolved as a special resolution, that the fees payable to non-executive directors for their services as directors or as members of the board sub-committees in respect of the financial year ending 31 March 2013, as proposed in the remuneration report on page 48 of the integrated annual report of which the notice convening the AGM forms part, be approved."

The reason for and the effect of this special resolution number 1 is to ensure that the remuneration of the non-executive directors remains competitive in order to enable the company to attract and retain persons of the calibre required to make meaningful contributions to the company.

7. AUTHORITY TO REPURCHASE SHARES

Special resolution number 2

"Resolved as a special resolution, that the company and any of its subsidiaries be and are hereby authorised, by way of a general approval in terms of the Listings Requirements of the JSE, to acquire ordinary shares issued by the company; provided that:

- any such acquisition shall only be made in compliance with the provisions of section 48 read with section 46 of the Companies Act, 2008, as amended ("Companies Act");
- any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- this general authority shall be valid until the company's next AGM, provided that it shall not extend beyond 15 months from the date of passing of this special resolution;
- acquisitions of shares in aggregate in any one financial year may not exceed 10% of the company's issued ordinary share capital as at the date of passing of this special resolution;
- in determining the price at which ordinary shares issued by the company are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% of the weighted average of the market value at which such ordinary shares are traded on the JSE for the five business days immediately preceding the date of repurchase of such ordinary shares by the company or any of its subsidiaries;
- at any point in time, the company may only appoint one agent to effect any repurchase on the company's behalf;
- the company's sponsor must report to the JSE in writing that it has discharged its responsibilities in terms of schedule 25 of the Listings Requirements of the JSE relating to the company's working capital for purposes of undertaking the repurchase of shares before entering the market to proceed with the repurchase;
- the company and/or its subsidiaries may not repurchase any shares during a prohibited period as defined by the Listings Requirements of the JSE unless they have in place a repurchase programme where the dates and quantities of ordinary shares to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement over SENS (the Securities Exchange News Service of the JSE) prior to the commencement of the prohibited period;
- the board of directors authorises such acquisition; and
- the company passes the solvency and liquidity test as required by the Companies Act."

The reason for and effect of this special resolution number 2, if passed and becoming effective, is to grant the company and the subsidiaries of the company a general authority in terms of the Listings Requirements of the JSE for the acquisition by the company, or a subsidiary of the company, of the company's shares.

The directors consider that such a general authority should be put in place in order to enable the acquisition of the company's shares should an opportunity to do so present itself during the year and which is in the best interests of the company and its shareholders.

After considering the effects of this special resolution number 2, the directors are satisfied that for a period of 12 months after the date of this notice of the AGM:

- the company and the group will be able, in the ordinary course of business, to pay its debts;
- the assets of the company and the group, measured in accordance with the accounting policies used in the latest audited annual group financial statements, will exceed the liabilities of the company and the group; and
- the company and the group's ordinary share capital, reserves and working capital will be adequate for ordinary business purposes.

Upon cumulatively repurchasing 3% of the initial number of ordinary shares in issue and for each 3% of ordinary shares repurchased thereafter, the company will make an announcement to such effect not later than 08:30 on the second business day following the day on which the relevant threshold is reached or exceeded.

The following additional information, some of which appears in the integrated annual report, is provided in terms of the Listings Requirements of the JSE for purposes of the general authority to repurchase shares (special resolution number 2):

- directors – pages 12 to 15 of the integrated annual report;
- major beneficial shareholders – page 124 of the integrated annual report;
- the only director with an interest in securities is Mr J A Copelyn – refer to page 124 of the integrated annual report; and
- share capital of the company – page 117 of the integrated annual report.

The directors, whose names appear on pages 12 to 15 of the integrated annual report are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous twelve months, a material effect on the group's financial position.

The directors, whose names appear on pages 12 to 15 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice contains all information required by law and the Listings Requirements of the JSE.

Other than the facts and developments reported on in the integrated annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the integrated annual report and up to the date of this notice.

8. FINANCIAL ASSISTANCE TO RELATED OR INTER-RELATED COMPANIES OR CORPORATIONS

Special resolution number 3

"Resolved as a special resolution that, to the extent required in terms and subject to the provisions of, section 45 of the Companies Act, 2008, as amended and the requirements (if applicable) of the company's memorandum of incorporation and the Listings Requirements of the JSE Limited, the provision by the company at any time and from time to time during the period of two years commencing on the date of the adoption of this special resolution, of direct or indirect financial assistance (whether by way of loan, guarantee, the provisions of security or otherwise), to any related or inter-related company or corporation of the company, on such terms and conditions as the directors (or any one or more persons authorised by the directors from time to time for such purpose) may deem fit, be and is hereby approved."

The reason for and effect of this special resolution number 3, if passed and becoming effective, is to grant the directors of the company the authority to provide financial assistance to any company or corporation which is related or inter-related to the company for the ensuing two years. The company will accordingly be authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

9. ADOPTION OF A NEW MEMORANDUM OF INCORPORATION OF THE COMPANY

Special resolution number 4

"Resolved as a special resolution, that the memorandum of incorporation, in the form of the draft tabled at the annual general meeting at which this resolution will be considered and which has been initialled by the Chairman of such meeting for purposes of identification, be and is hereby adopted as the new memorandum of incorporation of the company in substitution for and to the exclusion of the company's existing memorandum of incorporation."

The reason for and effect of this special resolution number 4, if passed and becoming effective, is to adopt a new memorandum of incorporation for the company which accords with the provisions of the Companies Act, 2008, as amended and the amended Listings Requirements of the JSE. The changes from the company's existing memorandum of incorporation are highlighted in the copy of the new memorandum of incorporation which will be available for inspection at the company's registered office, during normal business hours from 4 October 2012 to and including 18 October 2012.

10. ISSUE OF SHARES OR OPTIONS AND GRANT OF FINANCIAL ASSISTANCE IN TERMS OF THE COMPANY'S SHARE-BASED INCENTIVE SCHEMES

Special resolution number 5

"Resolved as a special resolution, that to the extent required in terms of, and subject to the provisions of, sections 41, 42, 44 and 45 of the Companies Act, 2008, as amended and the requirements (if applicable) of the company's memorandum of incorporation and the Listings Requirements of the JSE Limited:

- the issue by the company of shares or securities convertible into shares, or the grant by the company of options for the allotment or subscription of shares or other securities of the company or the grant of any other rights exercisable for securities of the company; and/or
- the provision by the company of direct or indirect financial assistance (whether by way of loan, guarantee, the provision of security or otherwise) in connection with the subscription of any option or any securities issued or to be issued by the company or by a related or inter-related company or for the purchase of any securities of the company or of a related or inter-related company, at any time and from time to time during the period of two years commencing on the date of the adoption of this special resolution,

to the Gold Reef Share Scheme or to a director, future director, prescribed officer or future prescribed officer of the company or to a person related or inter-related to the company or to a director or prescribed officer of the company or to their respective nominees, in accordance with the provisions of the Gold Reef Share Scheme and/or in accordance with the provisions of any other share-based incentive scheme established by the company, be and is hereby approved."

The reason for and effect of this special resolution number 5, if passed and becoming effective, is to authorise the provision of financial assistance to the extent necessary for the purposes of complying with the company's obligations under the Gold Reef Share Scheme.

RECORD DATES

The directors have determined that the date on which a shareholder must be registered in the company's register of shareholders in order to:

- receive notice of the AGM, is 14 September 2012; and
- participate in and vote at the AGM, is Friday, 12 October 2012. The last day to trade in order to be registered in the company's register of shareholders would therefore be Friday, 5 October 2012.

VOTING

Each ordinary resolution to be considered at the AGM requires the support of more than 50% of the voting rights exercised on the resolution in order to be adopted.

Each special resolution to be considered at the AGM requires the support of at least 75% of the voting rights exercised on that resolution, in order to be adopted.

In terms of the Listings Requirements of the JSE, equity securities held by a share trust or scheme established by the company will not have their votes at the AGM taken into account for the purposes of resolutions proposed thereat.

On a show of hands, every shareholder present in person or represented by proxy at the AGM shall have only one vote, irrespective of how many shares or shareholders he/she represents. On a poll every shareholder present in person or represented by proxy shall have one vote for every share held by such shareholder.

Shareholders who hold dematerialised shares, other than holders of dematerialised shares in their own name, must inform their CSDP or broker of their intention to attend the AGM and request their CSDP or broker to issue them with the necessary letters of representation to attend the AGM or to provide their CSDP or broker with their voting instructions should they not wish to attend the AGM in person, failing which the CSDP or broker will be obliged to act in terms of the mandate between such shareholders and their CSDP or broker.

PROXIES

A shareholder holding certificated shares and a shareholder holding dematerialised shares in his/her own name and who is registered as such on Friday, 12 October 2012 is entitled to attend, participate in and vote at the AGM and may appoint a proxy or proxies (acting in the alternative) to attend, participate in and speak and vote at the AGM in his/her stead. A proxy need not be a shareholder of the company. The completion and lodging of a form of proxy will not preclude a shareholder from attending, participating in, speaking and voting at the AGM to the exclusion of the proxy/ies so appointed.

The attached form of proxy should be completed and returned to the transfer secretaries, Link Market Services South Africa Proprietary Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000), in accordance with the instructions contained therein so as to be received by the transfer secretaries, by no later than 10:00 on Wednesday, 17 October 2012.

IDENTIFICATION

In terms of section 63(1) of the Companies Act, 2008, as amended, before any person may attend or participate in the AGM, that person must present reasonably satisfactory identification and the person presiding at the AGM must be reasonably satisfied that the right of the person to participate in and vote at the AGM, either as a shareholder or as a representative or proxy for a shareholder, has been reasonably verified.

AVAILABILITY OF DOCUMENTS

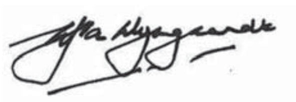
Copies of the Integrated Annual Report may be obtained from the registered office of the company, Palazzo Towers East, Montecasino Boulevard, Fourways, 2055, during normal business hours from 20 September 2012 to and including 18 October 2012.

Copies of the existing and proposed new memorandum of incorporation of the company may be inspected at the registered office of the company, Palazzo Towers East, Montecasino Boulevard, Fourways, 2055, during normal business hours from 4 October 2012 to and including 18 October 2012.

ELECTRONIC COMMUNICATION

Should any shareholder (or a representative or proxy for a shareholder) wish to participate in the AGM by way of electronic participation, that shareholder should make an application in writing (including details as to how the shareholder or its representative (including its proxy) can be contacted) to so participate, to the transfer secretaries, at their address below, to be received by the transfer secretaries at least seven business days prior to the AGM (i.e. Tuesday, 9 October 2012) in order for the transfer secretaries to arrange for the shareholder (or its representative or proxy) to provide reasonable satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act and for the transfer secretaries to provide the shareholder (or its representative or proxy) with details as to how to access the AGM by means of electronic participation. Shareholders participating electronically will not be able to vote electronically and must follow the standard voting arrangements indicated above. The company reserves the right not to provide for electronic participation at the AGM in the event that it determines that it is not practical to do so, or an insufficient number of shareholders (or their representatives or proxies) request to so participate.

By order of the board



WJ van Wyngaardt
Company Secretary

7 September 2012

Registered office
Palazzo Towers East
Montecasino Boulevard
Fourways, 2055
Private Bag X200, Bryanston, 2021

Transfer secretaries
Link Market Services South Africa (Pty) Limited
13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001
PO Box 4844, Johannesburg, 2000

NOTES

FORM OF PROXY

TSOGO SUN

For Tsogo Sun Holdings Limited

This form of proxy is for use by shareholders registered as such who hold certificated shares in the company and shareholders who hold own name dematerialised shares in the company, to appoint a proxy or proxies for the Annual General Meeting of the company to be held at 10:00 on Thursday, 18 October 2012 at The Pivot Conference Centre (adjacent to Southern Sun Montecasino Hotel), Verona Suite, Block B, No. 1 Montecasino Boulevard, Fourways, South Africa, or any adjournment thereof ("Annual General Meeting").

Tsogo Sun Holdings Limited
(Incorporated in the Republic of South Africa)
Registration number 1989/002108/06
Share code: TSH | ISIN: ZAE000156238
("the company")

Shareholders who have dematerialised their shares in the company and do not have "own-name" registration must inform their central securities depository participant ("CSDP") or broker of their intention to attend the Annual General Meeting and request their CSDP or broker to issue them with the necessary letters of representation to attend or provide their CSDP or broker with their voting instructions should they not wish to attend the Annual General Meeting in person. Such shareholder must not return this form of proxy to the transfer secretaries.

I/We (full names in BLOCK LETTERS please) ______________________________

of (insert address) ______________________________

being the holder(s) of [   ] (insert number) ordinary shares in the company, hereby appoint:

1. ______________________________ or failing him/her,

2. ______________________________ or failing him/her,

3. the Chairperson of the Annual General Meeting,

as my/our proxy to attend, speak, participate in and vote on the resolutions to be considered at the Annual General Meeting and at any adjournment thereof on my/our behalf and to vote for and/or against the ordinary and special resolutions and/or abstain from voting in respect of the ordinary shares in the company registered in my/our name/s (see notes 3 and 4 overleaf):

Please indicate with an "X" the instructions to your proxy in the spaces provided below. In the absence of such indication the proxy will be entitled to vote or abstain from voting at his/her discretion.

	[Insert number of votes or an "X" in the relevant column]		
	For	**Against**	**Abstain**
Ordinary resolution 1 – Adoption of the annual financial statements			
Ordinary resolution 2 – Appointment of PricewaterhouseCoopers Inc. as independent auditors of the company			
Ordinary resolution 3.1 – Election of Mr RG Tomlinson as a member and Chairman of the audit committee			
Ordinary resolution 3.2 – Election of Mr JG Ngcobo as a member and chairman of the audit committee			
Ordinary resolution 3.3 – Election of Mr Y Shaik as a member of the audit committee			
Ordinary resolution 4.1 – Election of Mr RB Huddy as a director of the company			
Ordinary resolution 4.2 – Election of Mr JM Kahn as a director of the company			
Ordinary resolution 4.3 – Election of Mr VE Mphande as a director of the company			
Ordinary resolution 4.4 – Election of Mr MJA Golding as a director of the company			
Ordinary resolution 5 – Non-binding advisory resolution approving company's remuneration policy			
Special resolution 1 – Approval of the fees proposed for non-executive directors in respect of the period from 1 April 2012 until the next Annual General Meeting of the company			
Special resolution 2 – General authority to repurchase shares			
Special resolution 3 – Approval of provision of financial assistance to related or inter-related companies or corporations			
Special resolution 4 – Adoption of a new memorandum of incorporation of the company			
Special resolution 5 – Approval of issue of shares or options and grant of financial assistance in terms of the company's share-based incentive schemes			

Any shareholder entitled to attend, speak and vote at and participate in the Annual General Meeting may appoint a proxy or proxies (acting in the alternative) to attend, speak and vote in his/her stead. A proxy need not be a member of the company. The completion and lodging of a form of proxy will not preclude a shareholder from attending the Annual General Meeting, participating therein and speaking and voting thereat to the exclusion of the proxy/ies so appointed.

Please read the notes overleaf.

NOTES TO FORM OF PROXY

1. The form of proxy must only be used by shareholders who hold certificated ordinary shares or shareholder(s) of the company who hold dematerialised ordinary shares with "own name" registration. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the Annual General Meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker concerned.
2. A shareholder entitled to attend and vote at the Annual General Meeting may appoint and insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the Annual General Meeting". The proxy or proxies need not be shareholder(s) of the company. The person whose name stands first on this form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of such proxy(ies) whose names follow.
3. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held in the company. A shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the shareholder in the appropriate box. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned.
4. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
5. A vote given in terms of an instrument of proxy shall be valid in relation to the Annual General Meeting, notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters has been intimated to the transfer secretaries not less than 24 hours before the commencement of the Annual General Meeting, or at any adjournment thereof.
6. If a shareholder does not indicate on this form of proxy that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the Annual General Meeting be proposed, such proxy, if such person is the Chairperson of the Annual General Meeting, shall be entitled to vote in favour of the resolutions proposed at the Annual General Meeting in respect of all the shareholder's votes exercisable thereat or if the proxy is not the Chairperson of the Annual General Meeting, to vote or abstain from voting as the proxy thinks fit.
7. The Chairperson of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received, other than in compliance with these notes.
8. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
9. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company or unless this requirement is waived by the Chairperson of the Annual General Meeting.
10. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered with the company.
11. Where there are joint holders of ordinary shares in the company:
    11.1 any one holder may sign this form of proxy; and
    11.2 the vote(s) of the senior shareholder (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
12. Forms of proxy must, in order to be effective, be lodged with or mailed to the transfer secretaries:

    Hand deliveries to:
    Link Market Services South Africa (Pty) Limited
    13th Floor, Rennie House
    19 Ameshoff Street, Braamfontein, Johannesburg, 2001

    Posted to:
    Link Market Services South Africa (Pty) Limited
    PO Box 4844, Johannesburg, 2000

    to be received by no later than 10:00 on Wednesday, 17 October 2012 (or 24 hours before any adjournment of the Annual General Meeting which date, if necessary, will be released on SENS and published in the press).
13. Any alteration or correction made to this form of proxy, other than the deletion of alternatives, must be initialled by the signatory(ies).
14. The appointment of a proxy or proxies:

    14.1 is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder; and

    14.2 is revocable in which case a shareholder may revoke the proxy appointment by:

    14.2.1 cancelling it in writing or making a later inconsistent appointment of a proxy; and/or

    14.2.2 delivering a copy of the revocation instrument to the proxy and to the company.
15. If the instrument appointing a proxy or proxies has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Companies Act, 2008, as amended, or the company's memorandum of incorporation to be delivered by the company to the shareholder must be delivered by the company to:

    15.1 the shareholder; or

    15.2 the proxy or proxies, if the shareholder has directed the company to do so in writing and paid any reasonable fee charged by the company for doing so.
16. The proxy appointment remains valid only until the end of the Annual General Meeting subject to any revocation thereof.

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